



VOLUME 6:

Finance



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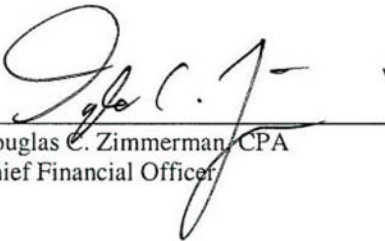
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I hereby attest that Northern Arizona Regional Behavioral Health Authority (NARBHA) has reviewed the Financial Reporting Guide for Regional Behavioral Health Authorities, and has in place accounting systems that allow NARBHA to comply with the requirements set forth in said Guide. I also attest that NARBHA has adequate professional staff and sufficient internal controls and systems in place that are designed to account for both the Arizona Department of Health Services (ADHS)-related revenue and expenses and non-ADHS-related revenue and expenses by type and program.

In addition, NARBHA has an Information System and a Claims System that is capable of providing information necessary to comply with the Financial Reporting Guide. Furthermore, NARBHA's Finance Department includes three Certified Public Accountants who are licensed in Arizona and who collectively have almost 45 years experience complying with the financial reporting requirements of ADHS, Division of Behavioral Health Services, as well as the requirements of the relevant circulars of the Federal Office of Management and Budget.

These statements are complete and accurate to the best of my knowledge. I understand that whoever knowingly and willfully makes or causes to be made a false statement on this statement may be prosecuted under applicable federal and/or state laws. In addition, knowing and willful failure to fully and accurately make this statement may result in denial of a request to participate in this agreement or contract with ADHS.



Douglas C. Zimmerman, CPA
Chief Financial Officer

09/30/04
Date



1 NARBHA has been submitting financial information at the rate cell level since Medicaid funded programs were
2 implemented in the state. NARBHA currently has sufficient accounting systems in place and reports at the rate cell level
3 presently in its monthly financial statements submitted to the ADHS/DBHS. In this effort, NARBHA separately
4 accounts for funds received and spent on services and administrative functions.
5

6 When providers send encounters and claims to NARBHA for adjudication, NARBHA, through a series of edits,
7 determines member enrollment status in order to adjudicate the encounter or claim. There are almost 90 other edits in
8 place to accurately process claims in a fashion that is consistent with the ADHS/DBHS Covered Behavioral Health
9 Services Guide and the Client Information System (CIS) File Layout and Specification Manual (Ver1.19, revision date
10 8/2/04) and ADHS/DBHS policies. NARBHA has been successful in its Administrative Reviews of its MIS and claims
11 systems for several years.
12

13 Subsequent to claims adjudication, NARBHA uses a process to analyze the successfully- adjudicated claim/encounter
14 data using AHCCCS eligibility information, the member's behavioral health category, special population indicators and,
15 in some cases, program modality and/or service code to assign those claims to rate cells/fund sources. This
16 analysis/assignment considers the dates of the service and the Arizona Health Care Cost Containment System
17 (AHCCCS) eligibility, behavioral health category and special populations that were in effect at that time. For
18 administrative costs, NARBHA uses a cost allocation plan and methods that gather information from the purchase orders
19 and from recording of staff time to effectively assign costs to rate cells.
20

21 Attached are "sample" financial statements showing the accounting for services and administrative expenditures at the
22 rate cell level.



STATEMENT OF FINANCIAL POSITION					
AS OF:		August 31, 2004			
ASSETS					
Current Assets					
101	Cash (Disclose on Schedule A)				\$7,873,107
102	Current Investments				
103	Accounts Receivable (net) (Disclose on Schedule A)				\$682,841
104	Notes Receivable (current portion)				\$1,148,542
105	Prepaid Expenses				\$251,518
106	Other Current Assets (Disclose on Schedule A)				\$3,852
107	Total Current Assets				\$9,959,861
Non Current Assets					
108	Land				1,148,426
109	Building				3,876,030
110	Leasehold Improvements				-
111	Furniture and Equipment				1,667,026
112	Vehicles				135,690
113	Total Property and Equipment				\$6,827,172
114	Less: Accumulated Depreciation				1,721,604
115	Net Property and Equipment				\$5,105,568
116	Notes Receivable (net of current portion)				
117	Performance Bond (Disclose on Schedule A)				
118	Long Term Investments				
119	Deposits				
120	Other Noncurrent Assets (Disclose on Schedule A)				\$161,338
121	Total Noncurrent Assets				\$5,266,906
122	TOTAL ASSETS				\$15,226,767
LIABILITIES AND NET ASSETS/EQUITY					
CURRENT LIABILITIES					
201	Incurred But Not Reported Claims (Disclose on Sch. A)				\$478,637
202	Reported But Unpaid Claims				
203	Payable to ADHS (Disclose on Schedule A)				\$0
204	Other Amounts Payable to Providers				1,178,529
205	Trade Accounts Payable				146,418
206	Accrued Salaries and Benefits				213,491
207	Long-term Debt (current portion)				111,475
208	Deferred Revenue (Disclose on Schedule A)				\$233,594
209	Risk Pool Payable				
210	Other Current Liabilities (Disclose on Schedule A)				\$138,075
211	Total Current Liabilities				\$2,500,218
NONCURRENT LIABILITIES					
212	Long-term debt (net of current portion)				2,332,061
213	Loss Contingencies (Disclosed on Schedule A)				\$0
214	Other Noncurrent Liabilities (Disclose on Schedule A)				\$0
215	Total Noncurrent Liabilities				\$2,332,061
216	TOTAL LIABILITIES				\$4,832,279
217	NET ASSETS/EQUITY				
	Unrestricted Net Assets				10,394,488
	Restricted Net Assets (Disclose on Schedule A)				\$0
218	TOTAL LIABILITIES AND NET ASSETS/EQUITY				\$15,226,767



STATEMENT OF FINANCIAL POSITION					
AS OF:		August 31, 2004			
Schedule A Disclosures					
ASSETS:			LIABILITIES:		
Cash			IBNR Claims Estimate		
	Unrestricted		7,873,107	Current Year FY 05	\$256,922
	Restricted			Prior Year(s) FY04	221,715
				FY03	-
Total Cash			\$7,873,107	Total IBNR	
				\$478,637	
Accounts Receivable					
ADHS					
	Program ID	Category ID		Payable to ADHS (Detail of Line 203)	
Current Year				Program ID	Category ID
	NTXIXXXI Child		(\$32,428)	Current Year	
	NTXIXXXI SMI		\$11,405	Select Program	Select Category
	Substance Abuse		\$111,168	Prior Year	
	Prevention Intervention		\$16,779	Select Program	Select Category
	ADHS DOC	COL staff	\$7,813		
	ADHS DOC	AfterCare	\$18,000		
	NTXIXXXI Child	Coaching & Training	\$11,333	Total Payable to ADHS	
Prior Year				\$0	
	NTXIXXXI Child	Coaching & Training	77,758	Deferred Revenue from: (Detail of Line 208)	
				Program ID	Category ID
Non-ADHS &/or Unrelated Business				ADHS	
Current Year				Current Year	
	Billings to SAA for ins, etc		359,353	Select Program	Identify Category
	Miscellaneous receivables		95,163		
	DES/RSA		6,497	Non-ADHS &/or Unrelated Business	
Prior Year				Current Year	
	DES/RSA		-	Identify Program	Identify Category
				Identify Program	Identify Category
				Prior Year	
Allowance for Doubtful Accounts				HB2003 Child	Coaching & Training
Total Accounts Receivable			\$682,841	ADHS DOC	AfterCare
Other Current Assets (Detail of Line 106)				Total Deferred Revenue	
	ST. Comp Deposit		\$3,852	\$233,594	
Total Other Current Assets			\$3,852	Other Current Liabilities (Detail of Line 210)	
				Reserve for Dental & FSA claims	\$138,075
Other Noncurrent Assets (Detail of Line 120)				Total Other Current Liabilities	
	Land held for investment		161,338	\$138,075	
Total Other Noncurrent Assets			161,338	Loss Contingencies (Detail of Line 213)	
				Identify Loss Contingencies	
PERFORMANCE BOND:				Total Loss Contingencies	
A surety bond for \$ 6,621,000 was purchased from				\$0	
Fidelity and Deposit Company of Maryland				Other Noncurrent Liabilities (Detail of Line 214)	
				Identify Other Noncurrent Liabilities	
Adjustments:				Total Other Noncurrent Liabilities	
Disclose and describe any adjustments made to previously submitted				\$0	
financial statements, including those that affect the current period financial statements.				Restricted Net Assets (Detail of Line 217)	
				Identify Restricted Net Assets	
Payables to ADHS - Other ' Category				Total Restricted Net Assets	
Disclose items recorded as "Other" in the category for Payable to ADHS Section				\$0	
Explain ≥10% fluctuation in account from prior quarter					
The decrease in amounts payable to providers is due to paying out-of-area claims for					
the SAA/TAA's for which an amount was retained for that purpose.					

[illegible]



STATEMENT OF ACTIVITIES					
YEAR TO DATE AS OF:		August 31, 2004			
*DISCLOSE ON SCHEDULE A					
		TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/X XI CHILD
REVENUES					
401	Revenue Under ADHS Contract				
a	ADHS Revenue	2,230,986	1,056,160	124,417	263,491
b	ADHS Revenue - Qualifying Incentive Payments				
402	Specialty & Other Grants*				
403	Client Fees (Co-pays)				
404	Third Party Recoveries				
a	Medicare				
b	Other Insurance				
405	Interest Income				
406	Other Funding Sources - Non ADHS*				
407	Unrelated Business Activities*				
408	TOTAL REVENUE	2,230,986	1,056,160	124,417	263,491
EXPENSES					
Service Expenses:					
501	Treatment Services				
a	Counseling				
1	Counseling, Individual	142,880	56,236	3,288	19,729
2	Counseling, Family	132,445	43,809	3,454	13,227
3	Counseling, Group	85,061	10,732	2,696	14,048
b	Consultation, Assessment & Specialized Testing	85,734	24,128	1,240	5,315
c	Other Professional	0	0	0	0
d	Total Treatment Services	446,120	134,905	10,678	52,319
502	Rehabilitation Services				
a	Living Skills Training	180,758	36,873	2,263	26,767
b	Cognitive Rehabilitation	0	0	0	0
c	Health Promotion	841	0	0	408
d	Supported Employment Services	0	0	0	0
e	Total Rehabilitation Services	181,599	36,873	2,263	27,175
503	Medical Services				
a	Medication Services	0	0	0	0
b	Medical Management	108,623	22,304	4,812	6,957
c	Laboratory, Radiology & Medical Imaging	1,889	0	0	379
d	Electro-Convulsive Therapy	0	0	0	0
e	Total Medical Services	110,512	22,304	4,812	7,336
504	Support Services				
a	Case Management	514,247	259,722	20,352	57,481
b	Personal Assistance	1,282	254	15	0
c	Family Support	27,895	12,728	966	1,610
d	Peer Support	0	0	0	0
e	Therapeutic Foster Care Services	22,421	167,943	0	12,006
f	Respite Care	23,425	3,149	0	1,305
g	Housing Support	0	0	0	0
h	Interpreter Services	0	0	0	0
i	Flex Fund Services	0	0	0	2,166
j	Transportation	64,048	17,903	825	5,963
k	Block Purchase NTXIX Consumer Drop In Center	0	0	0	0
l	Total Support Services	653,318	461,699	22,158	80,531
505	Crisis Intervention Services				
a	Crisis Intervention - Mobile	3,235	2,163	75	968
b	Crisis Services	0	0	0	0
c	Crisis Phones	8,695	0	0	2,816
d	Total Crisis Intervention Services	11,930	2,163	75	3,784



STATEMENT OF ACTIVITIES					
YEAR TO DATE AS OF:		August 31, 2004			
*DISCLOSE ON SCHEDULE A					
		TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/X XI CHILD
506	Inpatient Services				
a	Hospital				
1	Psychiatric (Provider Types 02 & 71)	38,087	0	0	0
2	Detoxification (Provider Types 02 & 71)	0	0	0	0
b	Sub acute Facility				
1	Psychiatric (Provider Types B5 & B6)	0	0	0	0
2	Detoxification (Provider Types B5 & B6)	0	0	0	0
c	Residential Treatment Center (RTC)				
1	Psychiatric - Secure & Non-Secure Provider Types 78,B1,B2,B3)	201,639	50,194	11,765	0
2	Detoxification - Secure & Non-Secure (Provider Types (78,B1,B2,B3)	0	0	0	0
d	Inpatient Services, Professional	2,363	0	229	0
e	Total Inpatient Services	242,089	50,194	11,994	0
507	Residential Services				
a	Level II Behavioral Health Residential Facilities	129,558	220,569	24,676	43,107
b	Level III Behavioral Health Residential Facilities	0	0	0	0
c	Room and Board	7,721	0	1,561	0
d	Total Residential Services	137,279	220,569	26,237	43,107
508	Behavioral Health Day Program				
a	Supervised Day Program	0	0	0	0
b	Therapeutic Day Program	6,836	4,601	0	0
c	Medical Day Program	0	0	0	0
d	Total Behavioral Health Day Program	6,836	4,601	0	0
509	Prevention Services				
a	Prevention	0	0		
b	HIV	0	0		
c	Total Prevention Services	0	0	0	0
510	Medication				
a	Medication Expense	274,152	43,468	36,869	18,993
b	Less Pharmacy Rebate Received	(4,600)	(767)	0	(383)
c	Pharmacy Rebate Related Expense	1,062	173	0	12
d	Total Medication Services	270,614	42,874	36,869	18,622
511	Other ADHS Service Expenses Not Rpt'd Above*	5,004	1,963	407	12,180
512	ADHS/DOC COOL				
513	Subtotal ADHS Service Expenses	2,065,301	978,145	115,493	245,054
520	Service Expenses from Non ADHS Sources*				
525	Total Service Expense	2,065,301	978,145	115,493	245,054
Administrative Expenses:					
601	Salaries	85,786	31,971	7,682	16,117
602	Employee Benefits	19,452	7,549	1,672	3,137
603	Professional & Outside Services	4,619	1,565	395	1,243
604	Travel	1,374	564	95	189
605	Occupancy	8,922	4,116	508	1,008
606	Depreciation	7,789	3,586	445	882
607	All Other Operating*	20,448	8,860	1,274	2,533
608	Subtotal ADHS Administrative Expenses	148,390	58,211	12,071	25,109
650	Non ADHS Administrative Expenses*	0	0	0	0
651	Unrelated Admin. Expense*	0	0	0	0
652	Subtotal Administrative Expense	148,390	58,211	12,071	25,109
701	Unrelated Business Expenses*				
790	Income Tax Provisions				
a	ADHS Income Tax Provision				
b	Non ADHS Income Tax Provision				
799	Subtotal Income Tax Provision	0	0	0	0
800	TOTAL EXPENSES	2,213,691	1,036,356	127,564	270,163
801	INC/(DEC) IN NET ASSETS/EQUITY	17,295	19,804	(3,147)	(6,672)
*Disclose on Schedule A					



STATEMENT OF ACTIVITIES					
YEAR TO DATE AS OF:		August 31, 2004			
*DISCLOSE ON SCHEDULE A					
		TXXI CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT
REVENUES					
401	Revenue Under ADHS Contract				
a	ADHS Revenue	122,813	4,648	4,961,311	134,725
b	ADHS Revenue - Qualifying Incentive Payments				
402	Specialty & Other Grants*				
403	Client Fees (Co-pays)				
404	Third Party Recoveries				
a	Medicare				
b	Other Insurance				
405	Interest Income				
406	Other Funding Sources - Non ADHS*				
407	Unrelated Business Activities*				
408	TOTAL REVENUE	122,813	4,648	4,961,311	134,725
EXPENSES					
Service Expenses:					
501	Treatment Services				
a	Counseling				
1	Counseling, Individual	9,298		124,245	3,245
2	Counseling, Family	9,277		9,494	0
3	Counseling, Group	208		78,185	1,108
b	Consultation, Assessment & Specialized Testing	0		78,913	2,710
c	Other Professional	3,204		0	0
d	Total Treatment Services	21,987	0	290,837	7,063
502	Rehabilitation Services				
a	Living Skills Training	11,832		366,254	13,690
b	Cognitive Rehabilitation	0		0	0
c	Health Promotion	0		33,966	1,554
d	Supported Employment Services	0		52,721	4,376
e	Total Rehabilitation Services	11,832	0	452,941	19,620
503	Medical Services				
a	Medication Services	0		8,639	239
b	Medical Management	6,290		214,747	5,187
c	Laboratory, Radiology & Medical Imaging	0		7,742	0
d	Electro-Convulsive Therapy	0		0	0
e	Total Medical Services	6,290	0	231,128	5,426
504	Support Services				
a	Case Management	28,047		1,157,570	25,309
b	Personal Assistance	53		11,040	0
c	Family Support	1,655		1,481	0
d	Peer Support	0		0	0
e	Therapeutic Foster Care Services	0		0	0
f	Respite Care	59		0	0
g	Housing Support	0		64,269	0
h	Interpreter Services	0		0	0
i	Flex Fund Services	0		0	0
j	Transportation	2,601		147,984	3,464
k	Block Purchase NTXIX Consumer Drop In Center	0	0	0	0
l	Total Support Services	32,415	0	1,382,344	28,773
505	Crisis Intervention Services				
a	Crisis Intervention - Mobile	910		81,454	1,323
b	Crisis Services	0		0	0
c	Crisis Phones	1,171		10,313	0
d	Total Crisis Intervention Services	2,081	0	91,768	1,323



STATEMENT OF ACTIVITIES					
YEAR TO DATE AS OF:		August 31, 2004			
*DISCLOSE ON SCHEDULE A					
		TXXI CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT
506	Inpatient Services				
a	Hospital				
1	Psychiatric (Provider Types 02 & 71)	0		184,616	7,647
2	Detoxification (Provider Types 02 & 71)	0		0	0
b	Sub acute Facility				
1	Psychiatric (Provider Types B5 & B6)	0		483,090	8,096
2	Detoxification (Provider Types B5 & B6)	0		0	0
c	Residential Treatment Center (RTC)				
1	Psychiatric - Secure & Non-Secure Provider Types 78,B1,B2,B3)	0		33,594	0
2	Detoxification - Secure & Non-Secure (Provider Types (78,B1,B2,B3)	0		0	0
d	Inpatient Services, Professional	0		49,023	1,842
e	Total Inpatient Services	0	0	750,323	17,585
507	Residential Services				
a	Level II Behavioral Health Residential Facilities	5,477		218,770	0
b	Level III Behavioral Health Residential Facilities	0		15,187	0
c	Room and Board	0		36,094	0
d	Total Residential Services	5,477	0	270,050	0
508	Behavioral Health Day Program				
a	Supervised Day Program	0		26,297	0
b	Therapeutic Day Program	0		6,483	0
c	Medical Day Program	0		0	0
d	Total Behavioral Health Day Program	0	0	32,780	0
509	Prevention Services				
a	Prevention				
b	HIV				
c	Total Prevention Services	0	0	0	0
510	Medication				
a	Medication Expense	33,520		1,087,041	44,830
b	Less Pharmacy Rebate Received	(383)		(17,250)	0
c	Pharmacy Rebate Related Expense	18		3,087	0
d	Total Medication Services	33,155	0	1,072,878	44,830
511	Other ADHS Service Expenses Not Rpt'd Above*	318	11,685	10,029	391
512	ADHS/DOC COOL				
513	Subtotal ADHS Service Expenses	113,555	11,685	4,585,078	125,011
520	Service Expenses from Non ADHS Sources*				
525	Total Service Expense	113,555	11,685	4,585,078	125,011
Administrative Expenses:					
601	Salaries	5,697	2,024	167,084	7,183
602	Employee Benefits	1,194	398	39,237	1,730
603	Professional & Outside Services	375	42	7,647	222
604	Travel	83	15	2,876	135
605	Occupancy	490	102	19,845	540
606	Depreciation	428	88	17,311	472
607	All Other Operating*	1,175	233	43,403	1,309
608	Subtotal ADHS Administrative Expenses	9,442	2,902	297,403	11,591
650	Non ADHS Administrative Expenses*	0	0	0	0
651	Unrelated Admin. Expense*	0	0	0	0
652	Subtotal Administrative Expense	9,442	2,902	297,403	11,591
701	Unrelated Business Expenses*				
790	Income Tax Provisions				
a	ADHS Income Tax Provision				
b	Non ADHS Income Tax Provision				
799	Subtotal Income Tax Provision	0	0	0	0
800	TOTAL EXPENSES	122,997	14,587	4,882,481	136,602
801	INC/(DEC) IN NET ASSETS/EQUITY	(184)	(9,939)	78,830	(1,877)
*Disclose on Schedule A					



STATEMENT OF ACTIVITIES					
YEAR TO DATE AS OF:		August 31, 2004			
*DISCLOSE ON SCHEDULE A					
		NTXIX/XX I SMI	HIFA II SMI	TXXI ADULT	HB2003 SMI
REVENUES					
401	Revenue Under ADHS Contract				
a	ADHS Revenue	1,570,621	45,314	3,819	0
b	ADHS Revenue - Qualifying Incentive Payments				
402	Specialty & Other Grants*				
403	Client Fees (Co-pays)				
404	Third Party Recoveries				
a	Medicare				
b	Other Insurance				
405	Interest Income				
406	Other Funding Sources - Non ADHS*				
407	Unrelated Business Activities*				
408	TOTAL REVENUE	1,570,621	45,314	3,819	0
EXPENSES					
Service Expenses:					
501	Treatment Services				
a	Counseling				
1	Counseling, Individual	21,731	907	90	
2	Counseling, Family	1,512	0	0	
3	Counseling, Group	19,488	425	59	
b	Consultation, Assessment & Specialized Testing	26,178	1,390	300	
c	Other Professional	0	0	0	
d	Total Treatment Services	68,910	2,722	449	0
502	Rehabilitation Services				
a	Living Skills Training	38,470	6,301	310	
b	Cognitive Rehabilitation	0	0	0	
c	Health Promotion	7,724	417	44	
d	Supported Employment Services	6,878	2,433	0	
e	Total Rehabilitation Services	53,072	9,151	354	0
503	Medical Services				
a	Medication Services	2,605	0	0	
b	Medical Management	47,736	9,544	323	
c	Laboratory, Radiology & Medical Imaging	1,861	1,100	0	
d	Electro-Convulsive Therapy	0	0	0	
e	Total Medical Services	52,203	10,644	323	0
504	Support Services				
a	Case Management	216,051	12,752	641	
b	Personal Assistance	3,416	0	0	
c	Family Support	562	0	0	
d	Peer Support	77	0	0	
e	Therapeutic Foster Care Services	0	0	0	
f	Respite Care	0	0	0	
g	Housing Support	10,215	0	0	
h	Interpreter Services	0	0	0	
i	Flex Fund Services	901	0	0	
j	Transportation	25,295	369	145	
k	Block Purchase NTXIX Consumer Drop In Center	0	0	0	0
l	Total Support Services	256,518	13,121	785	0
505	Crisis Intervention Services				
a	Crisis Intervention - Mobile	11,735	0	0	
b	Crisis Services	1,291	0	0	
c	Crisis Phones	3,506	0	0	
d	Total Crisis Intervention Services	16,532	0	0	0



STATEMENT OF ACTIVITIES					
YEAR TO DATE AS OF:		August 31, 2004			
*DISCLOSE ON SCHEDULE A					
		NTXIX/XXI SMI	HIFA II SMI	TXXI ADULT	HB2003 SMI
506	Inpatient Services				
a	Hospital				
1	Psychiatric (Provider Types 02 & 71)	108,423	0	0	
2	Detoxification (Provider Types 02 & 71)	0	0	0	
b	Sub acute Facility				
1	Psychiatric (Provider Types B5 & B6)	375,808	0	0	
2	Detoxification (Provider Types B5 & B6)	0	0	0	
c	Residential Treatment Center (RTC)				
	Psychiatric - Secure & Non-Secure Provider				
1	Types 78,B1,B2,B3)	0	0	0	
	Detoxification - Secure & Non-Secure (Provider				
2	Types (78,B1,B2,B3)	0	0	0	
d	Inpatient Services, Professional	17,240	0	0	
e	Total Inpatient Services	501,471	0	0	0
507	Residential Services				
a	Level II Behavioral Health Residential Facilities	23,350	0	0	
b	Level III Behavioral Health Residential Facilities	6,641	0	0	
c	Room and Board	6,309	0	0	
d	Total Residential Services	36,299	0	0	0
508	Behavioral Health Day Program				
a	Supervised Day Program	13,421	0	0	
b	Therapeutic Day Program	1,481	0	0	
c	Medical Day Program	128	0	0	
d	Total Behavioral Health Day Program	15,030	0	0	0
509	Prevention Services				
a	Prevention				
b	HIV				
c	Total Prevention Services	0	0	0	0
510	Medication				
a	Medication Expense	446,335	6,278	1,621	
b	Less Pharmacy Rebate Received	(6,517)	(157)	(50)	
c	Pharmacy Rebate Related Expense	1,487	0	0	
d	Total Medication Services	441,305	6,121	1,571	0
511	Other ADHS Service Expenses Not Rpt'd Above*	10,144	0	21	0
512	ADHS/DOC COOL				
513	Subtotal ADHS Service Expenses	1,451,484	41,759	3,503	0
520	Service Expenses from Non ADHS Sources*				
525	Total Service Expense	1,451,484	41,759	3,503	0
Administrative Expenses:					
601	Salaries	55,818	1,634	383	1,323
602	Employee Benefits	13,183	379	76	313
603	Professional & Outside Services	2,432	81	22	64
604	Travel	977	27	5	23
605	Occupancy	6,268	182	17	169
606	Depreciation	5,466	158	15	147
607	All Other Operating*	13,863	408	92	389
608	Subtotal ADHS Administrative Expenses	98,007	2,869	610	2,428
650	Non ADHS Administrative Expenses*	0	0	0	0
651	Unrelated Admin. Expense*	0	0	0	0
652	Subtotal Administrative Expense	98,007	2,869	610	2,428
701	Unrelated Business Expenses*				
790	Income Tax Provisions				
a	ADHS Income Tax Provision				
b	Non ADHS Income Tax Provision				
799	Subtotal Income Tax Provision	0	0	0	0
800	TOTAL EXPENSES	1,549,491	44,628	4,113	2,428
801	INC/(DEC) IN NET ASSETS/EQUITY	21,130	686	(294)	(2,428)
*Disclose on Schedule A					



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STATEMENT OF ACTIVITIES					
YEAR TO DATE AS OF:		August 31, 2004			
*DISCLOSE ON SCHEDULE A					
		TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE
506	Inpatient Services				
a	Hospital				
1	Psychiatric (Provider Types 02 & 71)	50,632	0	0	0
2	Detoxification (Provider Types 02 & 71)	0	0	0	0
b	Sub acute Facility				
1	Psychiatric (Provider Types B5 & B6)	256,928	0	0	67,818
2	Detoxification (Provider Types B5 & B6)	0	0	0	0
c	Residential Treatment Center (RTC)				
	Psychiatric - Secure & Non-Secure Provider				
1	Types 78,B1,B2,B3)	0	0	0	0
	Detoxification - Secure & Non-Secure (Provider				
2	Types (78,B1,B2,B3)	0	0	0	0
d	Inpatient Services, Professional	18,250	70	925	10,814
e	Total Inpatient Services	325,810	70	925	78,632
507	Residential Services				
a	Level II Behavioral Health Residential Facilities	135,356	0	0	87,289
b	Level III Behavioral Health Residential Facilities	0	0	0	0
c	Room and Board	12,467	0	0	4,723
d	Total Residential Services	147,823	0	0	92,012
508	Behavioral Health Day Program				
a	Supervised Day Program	395	0	0	17,516
b	Therapeutic Day Program	17,794	0	0	0
c	Medical Day Program	0	0	0	0
d	Total Behavioral Health Day Program	18,188	0	0	17,516
509	Prevention Services				
a	Prevention				
b	HIV				10,491
c	Total Prevention Services	0	0	0	10,491
510	Medication				
a	Medication Expense	538,071	6,339	29,422	10,714
b	Less Pharmacy Rebate Received	(7,667)	(176)	(383)	0
c	Pharmacy Rebate Related Expense	2,234	0	0	0
d	Total Medication Services	532,638	6,163	29,038	10,714
511	Other ADHS Service Expenses Not Rpt'd Above*	4,274	0	194	18,314
512	ADHS/DOC COOL				
513	Subtotal ADHS Service Expenses	1,928,719	17,445	45,584	693,871
520	Service Expenses from Non ADHS Sources*				
525	Total Service Expense	1,928,719	17,445	45,584	693,871
Administrative Expenses:					
601	Salaries	71,537	741	3,778	28,205
602	Employee Benefits	16,794	171	928	6,634
603	Professional & Outside Services	3,233	37	103	1,182
604	Travel	1,237	12	61	484
605	Occupancy	8,345	77	189	2,996
606	Depreciation	7,280	67	165	2,614
607	All Other Operating*	18,308	177	521	6,734
608	Subtotal ADHS Administrative Expenses	126,734	1,282	5,745	48,849
650	Non ADHS Administrative Expenses*	0	0	0	0
651	Unrelated Admin. Expense*	0	0	0	0
652	Subtotal Administrative Expense	126,734	1,282	5,745	48,849
701	Unrelated Business Expenses*				
790	Income Tax Provisions				
a	ADHS Income Tax Provision				
b	Non ADHS Income Tax Provision				
799	Subtotal Income Tax Provision	0	0	0	0
800	TOTAL EXPENSES	2,055,453	18,727	51,329	742,720
801	INC/(DEC) IN NET ASSETS/EQUITY	30,903	324	(1,844)	5,629
*Disclose on Schedule A					



STATEMENT OF ACTIVITIES					
YEAR TO DATE AS OF:		August 31, 2004			
*DISCLOSE ON SCHEDULE A					
		PREVENTION INTERVENTION	PASRR	ADHS DOC	OTHER
REVENUES					
401	Revenue Under ADHS Contract				
a	ADHS Revenue	157,837	0	25,813	
b	ADHS Revenue - Qualifying Incentive Payments				
402	Specialty & Other Grants*				3,222
403	Client Fees (Co-pays)				
404	Third Party Recoveries				
a	Medicare				
b	Other Insurance				
405	Interest Income				
406	Other Funding Sources - Non ADHS*				
407	Unrelated Business Activities*				
408	TOTAL REVENUE	157,837	0	25,813	3,222
EXPENSES					
Service Expenses:					
501	Treatment Services				
a	Counseling				
1	Counseling, Individual				
2	Counseling, Family				
3	Counseling, Group				
b	Consultation, Assessment & Specialized Testing				
c	Other Professional				
d	Total Treatment Services	0	0	0	0
502	Rehabilitation Services				
a	Living Skills Training				
b	Cognitive Rehabilitation				
c	Health Promotion				
d	Supported Employment Services				
e	Total Rehabilitation Services	0	0	0	0
503	Medical Services				
a	Medication Services				
b	Medical Management				
c	Laboratory, Radiology & Medical Imaging				
d	Electro-Convulsive Therapy				
e	Total Medical Services	0	0	0	0
504	Support Services				
a	Case Management				
b	Personal Assistance				
c	Family Support				
d	Peer Support				
e	Therapeutic Foster Care Services				
f	Respite Care				
g	Housing Support				
h	Interpreter Services				
i	Flex Fund Services				
j	Transportation				
k	Block Purchase NTXIX Consumer Drop In Center				
l	Total Support Services	0	0	0	0
505	Crisis Intervention Services				
a	Crisis Intervention - Mobile				
b	Crisis Services				
c	Crisis Phones				
d	Total Crisis Intervention Services	0	0	0	0



STATEMENT OF ACTIVITIES					
YEAR TO DATE AS OF:		August 31, 2004			
*DISCLOSE ON SCHEDULE A					
		PREVENTION INTERVENTION	PASRR	ADHS DOC	OTHER
506	Inpatient Services				
a	Hospital				
1	Psychiatric (Provider Types 02 & 71)				
2	Detoxification (Provider Types 02 & 71)				
b	Sub acute Facility				
1	Psychiatric (Provider Types B5 & B6)				
2	Detoxification (Provider Types B5 & B6)				
c	Residential Treatment Center (RTC)				
	Psychiatric - Secure & Non-Secure Provider				
1	Types 78,B1,B2,B3)				
2	Detoxification - Secure & Non-Secure (Provider Types (78,B1,B2,B3)				
d	Inpatient Services, Professional				
e	Total Inpatient Services	0	0	0	0
507	Residential Services				
a	Level II Behavioral Health Residential Facilities				
b	Level III Behavioral Health Residential Facilities				
c	Room and Board				
d	Total Residential Services	0	0	0	0
508	Behavioral Health Day Program				
a	Supervised Day Program				
b	Therapeutic Day Program				
c	Medical Day Program				
d	Total Behavioral Health Day Program	0	0	0	0
509	Prevention Services				
a	Prevention	145,999			
b	HIV				
c	Total Prevention Services	145,999	0	0	0
510	Medication				
a	Medication Expense				
b	Less Pharmacy Rebate Received				
c	Pharmacy Rebate Related Expense				
d	Total Medication Services	0	0	0	0
511	Other ADHS Service Expenses Not Rpt'd Above*	657	0	7,813	0
512	ADHS/DOC COOL			16,650	
513	Subtotal ADHS Service Expenses	146,656	0	24,463	0
520	Service Expenses from Non ADHS Sources*				0
525	Total Service Expense	146,656	0	24,463	0
Administrative Expenses:					
601	Salaries	11,404	0	5,036	0
602	Employee Benefits	2,850	0	1,116	0
603	Professional & Outside Services	760	0	88	0
604	Travel	1,121	0	44	0
605	Occupancy	619	0	231	0
606	Depreciation	543	0	201	0
607	All Other Operating*	2,200	0	627	0
608	Subtotal ADHS Administrative Expenses	19,497	0	7,343	0
650	Non ADHS Administrative Expenses*	0	0	0	4,057
651	Unrelated Admin. Expense*	0	0	0	0
652	Subtotal Administrative Expense	19,497	0	7,343	4,057
701	Unrelated Business Expenses*				
790	Income Tax Provisions				
a	ADHS Income Tax Provision				
b	Non ADHS Income Tax Provision				
799	Subtotal Income Tax Provision	0	0	0	0
800	TOTAL EXPENSES	166,153	0	31,806	4,057
801	INC/(DEC) IN NET ASSETS/EQUITY	(8,316)	0	(5,993)	(835)
*Disclose on Schedule A					



STATEMENT OF ACTIVITIES				
YEAR TO DATE AS OF:		August 31, 2004		
*DISCLOSE ON SCHEDULE A				
		SUB TOTAL	PROGRAM ADMIN & MGMT/GEN	TOTAL
REVENUES				
401	Revenue Under ADHS Contract			
a	ADHS Revenue	13,605,196		13,605,196
b	ADHS Revenue - Qualifying Incentive Payments	0		0
402	Specialty & Other Grants*	3,222		3,222
403	Client Fees (Co-pays)	0		0
404	Third Party Recoveries			
a	Medicare	0		0
b	Other Insurance	0		0
405	Interest Income	0	10,460	10,460
406	Other Funding Sources - Non ADHS*	0	11,248	11,248
407	Unrelated Business Activities*	0	98,124	98,124
408	TOTAL REVENUE	13,608,418	119,832	13,728,250
EXPENSES				
Service Expenses:				
501	Treatment Services			
a	Counseling			
1	Counseling, Individual	533,762		533,762
2	Counseling, Family	222,044		222,044
3	Counseling, Group	538,504		538,504
b	Consultation, Assessment & Specialized Testing	389,433		389,433
c	Other Professional	3,204		3,204
d	Total Treatment Services	1,686,947	0	1,686,947
502	Rehabilitation Services			
a	Living Skills Training	702,532		702,532
b	Cognitive Rehabilitation	0		0
c	Health Promotion	75,943		75,943
d	Supported Employment Services	67,336		67,336
e	Total Rehabilitation Services	845,811	0	845,811
503	Medical Services			
a	Medication Services	44,816		44,816
b	Medical Management	519,379		519,379
c	Laboratory, Radiology & Medical Imaging	14,952		14,952
d	Electro-Convulsive Therapy	0		0
e	Total Medical Services	579,147	0	579,147
504	Support Services			
a	Case Management	2,702,852		2,702,852
b	Personal Assistance	64,578		64,578
c	Family Support	47,621		47,621
d	Peer Support	705		705
e	Therapeutic Foster Care Services	202,370		202,370
f	Respite Care	27,938		27,938
g	Housing Support	74,917		74,917
h	Interpreter Services	2,141		2,141
i	Flex Fund Services	3,709		3,709
j	Transportation	330,403		330,403
k	Block Purchase NTXIX Consumer Drop In Center	0		0
l	Total Support Services	3,457,234	0	3,457,234
505	Crisis Intervention Services			
a	Crisis Intervention - Mobile	127,026		127,026
b	Crisis Services	1,291		1,291
c	Crisis Phones	38,525		38,525
d	Total Crisis Intervention Services	166,842	0	166,842



STATEMENT OF ACTIVITIES				
YEAR TO DATE AS OF:		August 31, 2004		
*DISCLOSE ON SCHEDULE A				
			PROGRAM ADMIN & MGMT/GEN	
		SUB TOTAL		TOTAL
506	Inpatient Services			
a	Hospital			
1	Psychiatric (Provider Types 02 & 71)	389,405		389,405
2	Detoxification (Provider Types 02 & 71)	0		0
b	Sub acute Facility			
1	Psychiatric (Provider Types B5 & B6)	1,191,740		1,191,740
2	Detoxification (Provider Types B5 & B6)	0		0
c	Residential Treatment Center (RTC)			
	Psychiatric - Secure & Non-Secure Provider			
1	Types 78,B1,B2,B3)	297,192		297,192
	Detoxification - Secure & Non-Secure (Provider			
2	Types (78,B1,B2,B3)	0		0
d	Inpatient Services, Professional	100,757		100,757
e	Total Inpatient Services	1,979,094	0	1,979,094
507	Residential Services			
a	Level II Behavioral Health Residential Facilities	888,152		888,152
b	Level III Behavioral Health Residential Facilities	21,828		21,828
c	Room and Board	68,874		68,874
d	Total Residential Services	978,854	0	978,854
508	Behavioral Health Day Program			
a	Supervised Day Program	57,629		57,629
b	Therapeutic Day Program	37,195		37,195
c	Medical Day Program	128		128
d	Total Behavioral Health Day Program	94,952	0	94,952
509	Prevention Services			
a	Prevention	145,999		145,999
b	HIV	10,491		10,491
c	Total Prevention Services	156,490	0	156,490
510	Medication			
a	Medication Expense	2,577,653		2,577,653
b	Less Pharmacy Rebate Received	(38,332)		(38,332)
c	Pharmacy Rebate Related Expense	8,072		8,072
d	Total Medication Services	2,547,393	0	2,547,393
511	Other ADHS Service Expenses Not Rpt'd Above*	83,394	0	83,394
512	ADHS/DOC COOL	16,650		16,650
513	Subtotal ADHS Service Expenses	12,592,808	0	12,592,808
520	Service Expenses from Non ADHS Sources*	0		0
525	Total Service Expense	12,592,808	0	12,592,808
Administrative Expenses:				
601	Salaries	503,403	4,103	507,506
602	Employee Benefits	116,813	1,057	117,870
603	Professional & Outside Services	24,110	562	24,672
604	Travel	9,322	14	9,336
605	Occupancy	54,624	16,985	71,609
606	Depreciation	47,657	1,141	48,798
607	All Other Operating*	122,554	2,210	124,764
608	Subtotal ADHS Administrative Expenses	878,483	26,072	904,555
650	Non ADHS Administrative Expenses*	4,057	7,750	11,807
651	Unrelated Admin. Expense*	0	51,297	51,297
652	Subtotal Administrative Expense	882,540	85,119	967,659
701	Unrelated Business Expenses*	0		0
790	Income Tax Provisions			
a	ADHS Income Tax Provision	0		0
b	Non ADHS Income Tax Provision	0		0
799	Subtotal Income Tax Provision	0	0	0
800	TOTAL EXPENSES	13,475,348	85,119	13,560,467
801	INC/(DEC) IN NET ASSETS/EQUITY	133,070	34,713	167,783
*Disclose on Schedule A				

STATEMENT OF ACTIVITIES					
YEAR TO DATE AS OF: August 31, 2004					
Schedule A Disclosure					
		TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD
DISCLOSURE OF OTHER ADHS REVENUE					
Itemization of Items Reported In Other Column					
Total Other - Other Column					
DISCLOSURE OF OTHER GRANTS REPORTED ON LINE 402					
Itemization of Items Reported on Line 402					
DES/RSA Grant					
Total Other Grants		0	0	0	0
DISCLOSURE OF OTHER REVENUE REPORTED ON LINE 406					
Itemization of Items Reported on Line 406					
Sanction fees Assessed SAA					
Greater Ariz Telemed Consortuim					
Miscellaneous					
Total Other Revenue		0	0	0	0
UNRELATED BUSINESS ACTIVITIES REPORTED ON LINE 407					
Itemization of Items Reported on Line 407					
Provider Support					
Total Unrelated Business Activities		0	0	0	0
DISCLOSURE OF ALL OTHER BEHAVIORAL HEALTH SERVICES ON LINE 511					
SMI Homeless					
Substance Abuse - Rural Detox					
PASARR					
Children HB 2003 Training & Coaching		11,333			
COOL Liaison					
Video-conferencing svcs allocated to programs		5,004	1,963	407	847
Total All Other Behavioral Health Services		5,004	1,963	407	12,180
DISCLOSURE OF SERVICES EXPENSES FROM NON ADHS SOURCES ON LINE 520					
Itemization of Items Reported on Line 520					
DES/RSA Grants					
Total Service Expenses Non-ADHS Sources		0	0	0	0
DISCLOSURE OF ALL OTHER OPERATING ON LINE 607					
Itemization of Items Reported on Line 607					
Supplies, computer/tele-med maint, printing phone, recruiting, insurance, surety bond, etc		20,448	8,860	1,274	2,533
Total All Other Operating		20,448	8,860	1,274	2,533



STATEMENT OF ACTIVITIES				
YEAR TO DATE AS OF: August 31, 2004				
Schedule A Disclosure				
	TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD
DISCLOSURE OF NON-ADHS ADMINISTRATIVE EXPENSES ON LINE 650				
Itemization of Items Reported on Line 650				
Greater Ariz Telemed Consortuim				
DES/RSA Grants				
Total Non-ADHS Admin. Expense	0	0	0	0
DISCLOSURE OF UNRELATED ADMINISTRATIVE EXPENSES ON LINE 651				
Itemization of Items Reported on Line 651				
Provider Support				
Total Unrelated Administrative Expenses	0	0	0	0
DISCLOSURE OF UNRELATED BUSINESS EXPENSES LINE 701				
Itemization of Items Reported on Line 701				
Total Unrelated Business Expenses	0	0	0	0
ADJUSTMENTS				
(Disclose and describe any adjustments to previously submitted financial statements including those that affect the current financial statements.)				
Analysis:				
(Compare prior quarter activity to current quarter activity for each column (program) and each row major category of service.)				

STATEMENT OF ACTIVITIES						
YEAR TO DATE AS OF: August 31, 2004						
Schedule A Disclosure						
		TXXI CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI
DISCLOSURE OF OTHER ADHS REVENUE						
Itemization of Items Reported In Other Column						
Total Other - Other Column						
DISCLOSURE OF OTHER GRANTS REPORTED ON LINE 402						
Itemization of Items Reported on Line 402						
DES/RSA Grant						
Total Other Grants		0	0	0	0	0
DISCLOSURE OF OTHER REVENUE REPORTED ON LINE 406						
Itemization of Items Reported on Line 406						
Sanction fees Assessed SAA						
Greater Ariz Telemed Consortuim						
Miscellaneous						
Total Other Revenue		0	0	0	0	0
UNRELATED BUSINESS ACTIVITIES REPORTED ON LINE 407						
Itemization of Items Reported on Line 407						
Provider Support						
Total Unrelated Business Activities		0	0	0	0	0
DISCLOSURE OF ALL OTHER BEHAVIORAL HEALTH SERVICES ON LINE 511						
SMI Homeless						6,839
Substance Abuse - Rural Detox						
PASARR						
Children HB 2003 Training & Coaching			11,685			
COOL Liaison						
Video-conferencing svcs allocated to programs		318	0	10,029	391	3,305
Total All Other Behavioral Health Services		318	11,685	10,029	391	10,144
DISCLOSURE OF SERVICES EXPENSES FROM NON ADHS SOURCES ON LINE 520						
Itemization of Items Reported on Line 520						
DES/RSA Grants						
Total Service Expenses Non-ADHS Sources		0	0	0	0	0
DISCLOSURE OF ALL OTHER OPERATING ON LINE 607						
Itemization of Items Reported on Line 607						
Supplies, computer/tele-med maint, printing phone, recruiting, insurance, surety bond, etc		1,175	233	43,403	1,309	13,863
Total All Other Operating		1,175	233	43,403	1,309	13,863



STATEMENT OF ACTIVITIES						
YEAR TO DATE AS OF: August 31, 2004						
Schedule A Disclosure						
		TXXI CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI
	DISCLOSURE OF NON-ADHS ADMINISTRATIVE EXPENSES ON LINE 650					
	Itemization of Items Reported on Line 650					
	Greater Ariz Telemed Consortuim					
	DES/RSA Grants					
	Total Non-ADHS Admin. Expense	0	0	0	0	0
	DISCLOSURE OF UNRELATED ADMINISTRATIVE EXPENSES ON LINE 651					
	Itemization of Items Reported on Line 651					
	Provider Support					
	Total Unrelated Administrative Expenses	0	0	0	0	0
	DISCLOSURE OF UNRELATED BUSINESS EXPENSES LINE 701					
	Itemization of Items Reported on Line 701					
	Total Unrelated Business Expenses	0	0	0	0	0



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STATEMENT OF ACTIVITIES						
YEAR TO DATE AS OF: August 31, 2004						
Schedule A Disclosure						
		HIFA II SMI	TXXI ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH
	DISCLOSURE OF NON-ADHS ADMINISTRATIVE EXPENSES ON LINE 650					
	Itemization of Items Reported on Line 650					
	Greater Ariz Telemed Consortuim					
	DES/RSA Grants					
	Total Non-ADHS Admin. Expense	0	0	0	0	0
	DISCLOSURE OF UNRELATED ADMINISTRATIVE EXPENSES ON LINE 651					
	Itemization of Items Reported on Line 651					
	Provider Support					
	Total Unrelated Administrative Expenses	0	0	0	0	0
	DISCLOSURE OF UNRELATED BUSINESS EXPENSES LINE 701					
	Itemization of Items Reported on Line 701					
	Total Unrelated Business Expenses	0	0	0	0	0

STATEMENT OF ACTIVITIES					
YEAR TO DATE AS OF: August 31, 2004					
Schedule A Disclosure					
		MENTAL HEALTH	SUBSTANCE ABUSE	PREVENTION INTERVENTION	PASRR
DISCLOSURE OF OTHER ADHS REVENUE					
Itemization of Items Reported In Other Column					
Total Other - Other Column					
DISCLOSURE OF OTHER GRANTS REPORTED ON LINE 402					
Itemization of Items Reported on Line 402					
DES/RSA Grant					
Total Other Grants		0	0	0	0
DISCLOSURE OF OTHER REVENUE REPORTED ON LINE 406					
Itemization of Items Reported on Line 406					
Sanction fees Assessed SAA					
Greater Ariz Telemed Consortuim					
Miscellaneous					
Total Other Revenue		0	0	0	0
UNRELATED BUSINESS ACTIVITIES REPORTED ON LINE 407					
Itemization of Items Reported on Line 407					
Provider Support					
Total Unrelated Business Activities		0	0	0	0
DISCLOSURE OF ALL OTHER BEHAVIORAL HEALTH SERVICES ON LINE 511					
SMI Homeless					
Substance Abuse - Rural Detox		16,667			
PASARR					
Children HB 2003 Training & Coaching					
COOL Liaison					
Video-conferencing svcs allocated to programs		194	1,647	657	0
Total All Other Behavioral Health Services		194	18,314	657	0
DISCLOSURE OF SERVICES EXPENSES FROM NON ADHS SOURCES ON LINE 520					
Itemization of Items Reported on Line 520					
DES/RSA Grants					
Total Service Expenses Non-ADHS Sources		0	0	0	0
DISCLOSURE OF ALL OTHER OPERATING ON LINE 607					
Itemization of Items Reported on Line 607					
Supplies, computer/tele-med maint, printing phone, recruiting, insurance, surety bond, etc		521	6,734	2,200	0
Total All Other Operating		521	6,734	2,200	0



STATEMENT OF ACTIVITIES					
YEAR TO DATE AS OF: August 31, 2004					
Schedule A Disclosure					
		MENTAL HEALTH	SUBSTANCE ABUSE	PREVENTION INTERVENTION	PASRR
	DISCLOSURE OF NON-ADHS ADMINISTRATIVE EXPENSES ON LINE 650				
	Itemization of Items Reported on Line 650				
	Greater Ariz Telemed Consortuim				
	DES/RSA Grants				
	Total Non-ADHS Admin. Expense	0	0	0	0
	DISCLOSURE OF UNRELATED ADMINISTRATIVE EXPENSES ON LINE 651				
	Itemization of Items Reported on Line 651				
	Provider Support				
	Total Unrelated Administrative Expenses	0	0	0	0
	DISCLOSURE OF UNRELATED BUSINESS EXPENSES LINE 701				
	Itemization of Items Reported on Line 701				
	Total Unrelated Business Expenses	0	0	0	0



STATEMENT OF ACTIVITIES					
YEAR TO DATE AS OF: August 31, 2004					
Schedule A Disclosure					
	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN/MGMT/ GEN	TOTAL
DISCLOSURE OF OTHER ADHS REVENUE					
Itemization of Items Reported In Other Column			\$0		\$0
			\$0		\$0
Total Other - Other Column		\$0	\$0		\$0
DISCLOSURE OF OTHER GRANTS REPORTED ON LINE 402					
Itemization of Items Reported on Line 402					
DES/RSA Grant		3,222	3,222		3,222
			0		0
Total Other Grants	0	3,222	3,222	0	3,222
DISCLOSURE OF OTHER REVENUE REPORTED ON LINE 406					
Itemization of Items Reported on Line 406					
Sanction fees Assessed SAA			0		0
Greater Ariz Telemed Consortium			0	7,750	7,750
Miscellaneous			0	3,498	3,498
Total Other Revenue	0	0	0	11,248	11,248
UNRELATED BUSINESS ACTIVITIES REPORTED ON LINE 407					
Itemization of Items Reported on Line 407					
Provider Support			0	98,124	98,124
			0		0
Total Unrelated Business Activities	0	0	0	98,124	98,124
DISCLOSURE OF ALL OTHER BEHAVIORAL HEALTH SERVICES ON LINE 511					
SMI Homeless			6,839		6,839
Substance Abuse - Rural Detox			16,667		16,667
PASARR			0		0
Children HB 2003 Training & Coaching			23,018		23,018
COOL Liaison	7,813		7,813		7,813
Video-conferencing svcs allocated to programs	0	0	29,057		29,057
			0		0
Total All Other Behavioral Health Services	7,813	0	83,394	0	83,394
DISCLOSURE OF SERVICES EXPENSES FROM NON ADHS SOURCES ON LINE 520					
Itemization of Items Reported on Line 520					
DES/RSA Grants			0	0	0
			0		0
Total Service Expenses Non-ADHS Sources	0	0	0	0	0
DISCLOSURE OF ALL OTHER OPERATING ON LINE 607					
Itemization of Items Reported on Line 607					
Supplies, computer/tele-med maint, printing phone, recruiting, insurance, surety bond, etc	627	0	122,554	2,210	124,764
			0		0
Total All Other Operating	627	0	122,554	2,210	124,764



STATEMENT OF ACTIVITIES
 YEAR TO DATE AS OF: August 31, 2004
 Schedule A Disclosure

	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN/MGMT/ GEN	TOTAL
DISCLOSURE OF NON-ADHS ADMINISTRATIVE EXPENSES ON LINE 650					
Itemization of Items Reported on Line 650					
Greater Ariz Telemed Consortium					
DES/RSA Grants			0	7,750	7,750
Total Non-ADHS Admin. Expense		4,057	4,057		4,057
	0	4,057	4,057	7,750	11,807
DISCLOSURE OF UNRELATED ADMINISTRATIVE EXPENSES ON LINE 651					
Itemization of Items Reported on Line 651					
Provider Support			0	51,297	51,297
Total Unrelated Administrative Expenses			0		0
	0	0	0	51,297	51,297
DISCLOSURE OF UNRELATED BUSINESS EXPENSES LINE 701					
Itemization of Items Reported on Line 701					
			0		0
			0		0
Total Unrelated Business Expenses	0	0	0	0	0



STATEMENT OF CASH FLOWS			
YEAR TO DATE FOR PERIOD ENDED:		August 31, 2004	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Changes in Net Assets		167,782	
Adjustments to Reconcile Excess of Revenue Over/(Under) Expenses to			
Net Cash Provided (Used) by Operating Activities:		-	
Depreciation and Amortization		51,844	
Changes in Operating Assets and Liabilities			
(Increases)/Decreases in Assets:			
Current Investments			
Receivables		3,854,700	
Inventory & Prepaid Expenses		(75,131)	
Interest Receivable			
Deposits			
Other			
Increases/(Decreases) in Liabilities:			
IBNR		(74,363)	
RBUC			
Accounts Payable to ADHS			
Accounts Payable to Providers		(982,050)	
Interest Payable		-	
Trade Accounts Payable		(160,573)	
Accrued Salaries & Benefits		(6,217)	
Unearned Revenue		(4,648)	
Other Current Liabilities		21,792	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		2,793,136	
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Property & Equipment		3,052	
Purchases of Property & Equipment			
Proceeds from Sales of Investments			
Purchase of Investments			
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		3,052	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Acquisition of Debt (Describe on Schedule A)			
Payment of Lease Obligations		(1,974)	
Payment of Other Debts (Describe on Schedule A)		(13,876)	
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		(15,850)	
NET INCREASE/(DECREASE) IN CASH		2,780,338	
BEGINNING CASH		\$5,092,769	
ENDING CASH BALANCE *		7,873,107	
*NOTE: ENDING CASH BALANCE MUST AGREE WITH TOTAL CASH BALANCE ON BALANCE SHEET			



STATEMENT OF CASH FLOWS					
YEAR TO DATE FOR PERIOD ENDED:				August 31, 2004	
Schedule A Disclosure					
Describe:					
1. Sources and amounts of cash received for other grants.					
DES/RSA Grant				\$	19,693
2. Underlying transactions for acquisition of debt. (Debtor, amount, purpose of loan, term, interest rate of debt acquired during the quarter.)					
3. Underlying transactions for retirement of debt. (Debtor, amount paid off.)					
4. Cash Flows From Financing Activities - Payment of Other Debt					
Xerox - payments of leases				\$	1,974
Compass Bank - payment of mortgage				\$	13,876
5. Supplemental data or non-cash investing and financing activities, gifts, etc.					

[illegible]



Profit/Risk Corridor Analysis - Title XXI						
Per the RBHA Un-audited Financial Statements						
FOR MONTH ENDED:	August 31, 2004					
					Combined	
TXXI	TXXI Child	TXXI Adult	HIFA II SMI	HIFA II GMH	TXXI Adult	Total TXXI
ADHS Revenue	\$122,813	\$3,819	\$45,314	\$19,051	\$68,184	\$190,997
Less Receivable Profit/Risk Corridor Amount reported by RBHA					\$0	\$0
Profit/Risk Corridor Amount Payable reported by RBHA					\$0	\$0
Adjustments*					\$0	\$0
Total Revenue	\$122,813	\$3,819	\$45,314	\$19,051	\$68,184	\$190,997
ADHS Service Expense	\$113,555	\$3,503	\$41,759	\$17,445	\$62,707	\$176,262
ADHS Administrative Expense	\$9,442	\$610	\$2,869	\$1,282	\$4,761	\$14,203
Adjustments*					\$0	\$0
Less Encounter Withhold					\$0	\$0
Service & Administrative Expense Less Encounter Withhold	\$122,997	\$4,113	\$44,628	\$18,727	\$67,468	\$190,465
EBIT	(\$184)	(\$294)	\$686	\$324	\$716	\$532
ADHS Income Tax provision	\$0	\$0	\$0	\$0	\$0	\$0
Net Profit/(Loss)	(\$184)	(\$294)	\$686	\$324	\$716	\$532
	TXXI Child	TXXI Adult	HIFA II SMI	HIFA II GMH	Combined TXXI Adult	Total TXXI
Service Revenue (92.5% of Total Revenue)	113,602	3,533	41,915	17,622	63,070	176,672
ADHS Service Expense & Income Tax	\$113,555	\$3,503	\$41,759	\$17,445	\$62,707	\$176,262
Less 92.5% of Encounter Withhold	\$0	\$0	\$0	\$0	\$0	\$0
Service Profit/(Loss)	47	30	156	177	363	410
Profit Corridor (+/- 5% of Service Revenue)	5,680	177	2,096	881	3,154	8,834
Excess Service Profit/(Loss)	-	-	-	-	-	-
Contractual Profit/Risk Corridor %	0.04%	0.85%	0.37%	1.00%	0.58%	0.23%
Profit/Risk Corridor - Children Profit Cannot Offset Adult Losses						
*Adjustments:						
Disclose details of adjustments recorded						
Disclosure:						
Identify factors contributing to non-compliance of profit/risk corridors						





**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

**FINANCIAL STATEMENTS, OMB CIRCULAR A-133
SUPPLEMENTARY REPORTS AND
SUPPLEMENTAL INFORMATION**

Years Ended June 30, 2004 and 2003



**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

**FINANCIAL STATEMENTS, OMB CIRCULAR A-133
SUPPLEMENTARY REPORTS AND
SUPPLEMENTAL INFORMATION**

Years Ended June 30, 2004 and 2003

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Mayer Hoffman McCann P.C.

An Independent CPA Firm

3101 North Central Avenue, Suite 300
Phoenix, Arizona 85012
602-264-6835 ph
602-265-7631 fx
www.mhm-pc.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.

We have audited the accompanying statement of financial position of **Northern Arizona Regional Behavioral Health Authority, Inc.** at June 30, 2004, and the related statements of activities and change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the management of **Northern Arizona Regional Behavioral Health Authority, Inc.** Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from **Northern Arizona Regional Behavioral Health Authority, Inc.'s** 2003 financial statements which were audited by other auditors whose report dated September 5, 2003 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2004 financial statements referred to above present fairly, in all material respects, the financial position of **Northern Arizona Regional Behavioral Health Authority, Inc.** at June 30, 2004, and the change in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2004 on our consideration of **Northern Arizona Regional Behavioral Health Authority, Inc.'s** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of **Northern Arizona Regional Behavioral Health Authority, Inc.** taken as a whole. The accompanying Supplemental Schedules of Activities (Schedules 1, and 2) and the Schedule of Expenditures of Federal Awards (Schedule 3) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The information in those schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
September 7, 2004



NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2004 and 2003

	<u>ASSETS</u>	
	<u>2004</u>	<u>2003</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,092,769	\$ 5,142,580
Accounts receivable:		
Grants and contracts	3,909,550	1,106,237
Providers	612,001	437,657
Other	65,990	95,124
Notes receivable, current portion	548,542	500,000
Prepaid expenses	176,387	182,379
Fair value of interest rate swap	3,319	-
Deposits	3,852	3,551
TOTAL CURRENT ASSETS	<u>10,412,410</u>	<u>7,467,528</u>
NOTES RECEIVABLE, long-term portion	550,000	148,542
LAND HELD FOR SALE	161,338	158,543
CONTRACT PERFORMANCE BOND	-	4,621,000
PROPERTY AND EQUIPMENT, net	<u>5,160,466</u>	<u>5,372,738</u>
TOTAL ASSETS	<u>\$ 16,284,214</u>	<u>\$ 17,768,351</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 429,491	\$ 746,019
Amounts payable to funding sources	-	22,899
Amounts payable to providers	2,160,580	3,680,843
Unreported services payable	553,000	292,000
Accrued leave time	213,491	250,557
Unearned revenue	238,242	244,779
Current maturities of capital lease obligations	13,513	13,378
Current maturities of long-term debt	89,943	82,881
TOTAL CURRENT LIABILITIES	<u>3,698,260</u>	<u>5,333,356</u>
CAPITAL LEASE OBLIGATIONS, less current maturities	31,516	29,492
LONG-TERM DEBT, less current maturities	<u>2,324,414</u>	<u>2,414,016</u>
TOTAL LIABILITIES	<u>6,054,190</u>	<u>7,776,864</u>
UNRESTRICTED NET ASSETS	<u>10,230,024</u>	<u>9,991,487</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,284,214</u>	<u>\$ 17,768,351</u>

See Notes to Financial Statements

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NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
REVENUES AND GAINS		
Arizona Department of Health Services	\$ 75,432,626	\$ 70,035,186
Provider service fees	600,000	450,000
Other services	260,480	210,646
Interest income	61,839	142,907
Other grants and contracts	60,539	215,046
Miscellaneous	12,053	68,806
TOTAL REVENUES AND GAINS	<u>76,427,537</u>	<u>71,122,591</u>
EXPENSES		
Program service fees distributed to providers	69,877,666	64,335,195
Salaries	3,454,504	3,858,042
Employee related expenses	864,558	861,022
Professional and outside services	334,106	330,588
Travel	109,407	126,721
Occupancy	308,734	392,023
Operating	800,705	902,653
Depreciation and amortization	334,692	218,541
Interest	104,628	16,674
TOTAL EXPENSES	<u>76,189,000</u>	<u>71,041,459</u>
CHANGE IN NET ASSETS	238,537	81,132
NET ASSETS, BEGINNING OF YEAR	<u>9,991,487</u>	<u>9,910,355</u>
NET ASSETS, END OF YEAR	<u>\$ 10,230,024</u>	<u>\$ 9,991,487</u>

See Notes to Financial Statements

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NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2004 and 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 238,537	\$ 81,132
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	334,692	218,541
Loss on disposal of equipment	18,496	34,579
Change in fair value of interest rate swap	(3,319)	-
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Grants and contracts receivable	(2,803,313)	(952,770)
Provider receivables	(174,344)	458,707
Other receivables	29,134	(75,955)
Prepaid expenses	5,992	(12,560)
Deposits	(301)	(1,489)
Increase (decrease) in:		
Accounts payable and accrued expenses	(316,528)	561,071
Amounts payable to funding source	(22,899)	(708,629)
Amounts payable to providers	(1,520,263)	(128,805)
Unreported services payable	261,000	(1,128,000)
Accrued leave time	(37,066)	75,483
Unearned revenue	(6,537)	73,100
Net cash used in operating activities	<u>(3,996,719)</u>	<u>(1,505,595)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments held for performance bond	4,621,000	-
Payments (advances) under notes receivable	1,300,000	(724,025)
Proceeds from sale of property	3,650	29,442
Advances to providers	(1,750,000)	-
Purchase of property and equipment	(125,689)	(4,304,273)
Increase in land held for sale	(2,795)	-
Purchase of investments held for performance bond	-	(1,382,000)
Net cash provided by (used in) investing activities	<u>4,046,166</u>	<u>(6,380,856)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of long-term debt	-	2,500,000
Payments on long-term debt	(82,540)	(3,103)
Payments on capital lease obligations	(16,718)	(19,420)
Net cash provided by (used in) financing activities	<u>(99,258)</u>	<u>2,477,477</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(49,811)</u>	<u>(5,408,974)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,142,580</u>	<u>10,551,554</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,092,769</u>	<u>\$ 5,142,580</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 99,500	\$ 16,674
SUPPLEMENTAL DISCLOSURE ON NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment acquired under capital lease obligations	\$ 18,877	\$ -

See Notes to Financial Statements

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**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2004 and 2003

(1) Organization operations and summary of significant accounting policies

Nature of operations - Northern Arizona Regional Behavioral Health Authority, Inc. (NARBHA), located in Flagstaff, Arizona, is an Arizona nonprofit corporation. Through a contract with the Arizona Department of Health Services (ADHS), which expires June 30, 2005, NARBHA has been designated as the Regional Behavioral Health Authority (RBHA) for the geographic service area of Apache, Coconino, Mojave, Navajo and Yavapai counties. NARBHA is responsible for managing and maintaining an organized, comprehensive behavioral healthcare delivery system for the benefit of eligible members within its geographic service area. NARBHA functions as a behavioral health management organization and does not provide direct healthcare services to eligible members. Direct behavioral healthcare services are provided to eligible members by a network of subcontracted service providers.

The significant accounting policies followed by NARBHA are as follows:

Basis of presentation - The accompanying financial statements have been prepared in accordance with the *Health Care Organization's Audit and Accounting Guide* issued by the American Institute of Certified Public Accountants. NARBHA's financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, NARBHA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets are those whose use by NARBHA has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by NARBHA in perpetuity.

Management's use of estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents - Cash includes cash deposits in banks and cash equivalents. NARBHA considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Accounts at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation.

Grants and contracts receivable - At June 30, 2004 and 2003, NARBHA had amounts outstanding from ADHS and other state and federal agencies for the provision of comprehensive behavioral healthcare services for the benefit of eligible members within its geographic service area. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants and contracts receivable. Management considers grants and contract receivables to be fully collectible as of June 30, 2004 and 2003 and, accordingly, an allowance for doubtful accounts is not considered necessary. At June 30, 2004 and 2003, approximately 99% and 97%, respectively, of grants and contracts receivable were due from ADHS.

Interest rate swap - NARBHA accounts for its interest rate swap agreement in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period as a change in net assets.

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.****NOTES TO FINANCIAL STATEMENTS**

Years Ended June 30, 2004 and 2003

(1) Organization operations and summary of significant accounting policies (continued)

NARBHA maintains an interest-rate risk management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility. NARBHA's specific goals are (1) to manage interest-rate sensitivity by modifying the repricing or maturity characteristics of certain of its debt and (2) to lower (where possible) the cost of its borrowed funds. Interest-rate fluctuations create an unrealized appreciation or depreciation in the market value of NARBHA's debt when compared with its cost. The effect of this unrealized appreciation or depreciation in market value, however, will generally be offset by income or loss on derivative instruments that are linked to the debt.

By using a derivative financial instrument to hedge exposure to a change in interest rates, NARBHA exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes NARBHA, which creates repayment risk for NARBHA. When the fair value of a derivative contract is negative, NARBHA owes the counterparty and therefore, it does not possess repayment risk. NARBHA minimizes the credit (or repayment) risk in derivative instruments by (1) entering into transactions with high-quality counterparties, and (2) limiting the amount of exposure to the counterparty. NARBHA does not anticipate nonperformance by the counterparty. NARBHA also maintains a policy of requiring that all derivative contracts be governed by an International Swaps and Derivatives Association Master Agreement.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by the establishment and monitoring of parameters that limit the types and degree of market risk that may be undertaken.

NARBHA used an interest rate swap contract to convert its variable-rate mortgage note payable into fixed-rate debt. The resulting cost of funds is higher than that which would have been available under the variable-rate debt. Under interest-rate swap contracts, NARBHA agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts, calculated by reference to an agreed-upon notional amount.

For the year ended June 30, 2004, NARBHA recognized a change in fair value on the interest rate swap of \$3,319, which is reported on the statement of activities and change in net assets within miscellaneous revenue (See Note 6).

Land held for sale - In February 2002, NARBHA purchased land jointly with The Guidance Center (TGC), a subcontracted service provider, with the intent of splitting the land and constructing a building on its parcel. When NARBHA purchased a building in May 2003, those plans were abandoned and NARBHA's share of the land was reclassified as an investment. In 2004, NARBHA has elected to place the land for sale. In accordance with its joint purchase agreement, TGC has the right of first refusal to purchase the property from NARBHA at fair market value determined through an appraisal at the time of the exercise of the right of first refusal. This date has yet to be determined. Land held for sale is recorded in accordance with SFAS No. 144, *Accounting for the Impairment of Long-Lived Assets*, at the lower of the carrying amount or fair value less costs to sell.

Property and equipment - Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at fair value at the date of contribution to NARBHA. Betterments or renewals in excess of \$2,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to thirty years.



**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2004 and 2003

(1) Organization operations and summary of significant accounting policies (continued)

Impairment of long-lived assets - NARBHA accounts for long-lived assets in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment of Long-Lived Assets*. SFAS No. 144, requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Revenue recognition - NARBHA's contract with ADHS requires NARBHA to provide behavioral healthcare services to all eligible Medicaid (Title XIX) and KidsCare (Title XXI) enrollees within its geographic service area. Under this agreement, NARBHA receives monthly capitation payments from ADHS based on a capitated rate and the number of Medicaid and KidsCare eligible enrollees, regardless of services actually performed by NARBHA and its subcontracted network of providers. NARBHA is responsible for healthcare costs which exceeds its capitation. Capitation premiums are recognized in the month payment is received, in accordance with the ADHS policy issued May 1998.

NARBHA's contract with ADHS provides for payment to NARBHA at a monthly rate equal to one-twelfth of specified annual contract maximums under ADHS' Subvention programs. In May 1998, ADHS issued, and NARBHA adopted, a policy requiring NARBHA to recognize ADHS funds as revenue when received. The policy requires NARBHA to determine the amount of unexpended Federal Block Grant funds at year end, which must be deferred. There were no unexpended Federal Block Grant funds at June 30, 2004 and 2003, respectively. ADHS policies also require NARBHA to return any unexpended Federal Block Grant funds if they remain unexpended for one year beyond when ADHS has granted them. NARBHA did not have any unexpended funds of this type at June 30, 2004 or 2003.

The Subvention programs provide behavioral healthcare services to lower income, uninsured or underinsured individuals not eligible for behavioral healthcare coverage under Medicaid or Medicare. The Subvention programs are funded through a combination of federal mental health block grant funds, State of Arizona Tobacco Tax Funds and State of Arizona appropriated funds administered by ADHS.

NARBHA has two other programs for which deferred revenue was recorded at June 30, 2004 and 2003. The first is the Correctional Officer/Offender Liaison (COOL) Program which funds the substance abuse and behavioral health service needs of high risk offenders on parole from the Arizona Department of Corrections. The second is House Bill 2003 which provides monies from the tobacco litigation settlement to be spent on persons with serious mental illness. NARBHA has used House Bill 2003 monies to fund housing, recovery support, vocational rehabilitation, and specialized assessment (extended evaluation) services. Revenue under these programs is recognized as services are provided. Amounts received in advance of the performance of services are deferred and are included within deferred revenue in the accompanying statements of financial position. At June 30, 2004, deferred revenue relates primarily to funds received in advance for the provision of behavioral health services to Non-Title XIX children and for various training activities related to children.

In addition to the above programs, NARBHA derives revenues from other grants and contracts to provide vocational rehabilitation and other related services. Revenue under these grants and contracts are recognized as services are provided.



**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2004 and 2003

(1) Organization operations and summary of significant accounting policies (continued)

Provider service fees - NARBHA provides technical assistance and support to a number of its subcontracted providers. This provider support typically includes such things as recruiting, benefits administration, contracting to obtain an audit from an external independent auditor, information system support, telemedicine and the administration and payment of pharmaceutical costs. The subcontracted providers are charged monthly for these services. NARBHA recognizes revenue as services are provided.

Healthcare service cost recognition - NARBHA contracts with various at-risk providers for the provision of a full range of behavioral healthcare services to eligible adults and children for Title XIX, Title XXI and Non-Title XIX programs. These subcontracted providers are compensated on a budgeted basis for eligible clients in these categories. Under this agreement, providers are at risk for providing behavioral healthcare services to eligible enrollees as specified in the agreements, including costs which exceed their budgeted rate. These services accounted for 92.5% and 92.0% of NARBHA's program service fees expense in fiscal 2004 and 2003, respectively.

The cost of all other behavioral healthcare services is on a fee-for-service, cost reimbursement or block purchase basis subject to contract ceilings for certain programs. These costs are accrued in the period in which the service is provided to eligible recipients based in part on estimates, including an accrual for behavioral healthcare services incurred but not yet reported to NARBHA. For the year ended June 30, 2003, unreported services payable was under-accrued by approximately \$6,000.

The estimate for unreported services payable is developed using actuarial methods based on historical experience, as well as information about current placements at outside inpatient/residential providers. While management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and adjustments are reflected in each period when necessary.

Expense allocation - Certain direct, indirect and administrative expenses are incurred which benefit more than one program. Such common expenses are allocated based upon an ADHS approved cost allocation plan as submitted by NARBHA, which is primarily based upon enrollment, claims and costs by lines of business.

Income tax status - NARBHA qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, there is no provision for income taxes. In addition, NARBHA qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

Reclassifications - Certain amounts in the 2003 comparative information have been reclassified to conform to the presentation of the 2004 basic financial statements. These reclassifications had no effect on the change in net assets for 2003.



**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2004 and 2003

(2) Notes receivable

Notes receivable consist of:	<u>2004</u>	<u>2003</u>
Loan to provider to fund operations and the construction of an outpatient clinic. The loan matures June 30, 2006 and bears interest at 0%. The loan requires payments of principal of \$300,000 in 2005 and \$550,000 in 2006.	\$ 850,000	\$ -
Loan to provider to fund operations and the purchase of land (Note 1). The loan requires monthly payments of \$50,000, matures December 2004 and bears interest at 0%.	148,542	648,542
Loan to provider to fund a construction deposit. The loan was repaid subsequent to June 30, 2004.	<u>100,000</u>	<u>-</u>
Total notes receivable	1,098,542	648,542
Less current maturities	<u>(548,542)</u>	<u>(500,000)</u>
Total notes receivable, long-term portion	<u>\$ 550,000</u>	<u>\$ 148,542</u>

As a result of these notes receivable, NARBHA is exposed to certain credit risks. NARBHA manages its risk by regularly reviewing the portfolio of notes receivable and by providing appropriate allowances for doubtful accounts, if necessary. At June 30, 2004 and 2003, notes receivable are considered by management to be fully collectible, and accordingly, an allowance for loan losses has not been provided.

(3) Contract performance bond

In accordance with the terms of its contract with ADHS, NARBHA is required to post a performance bond with ADHS equal to 110% of the first monthly ADHS payment to NARBHA each fiscal year, based on gross capitation payments as specified in the contract. The amount of the bond is subject to adjustment as certain conditions change and its method of calculation is specified in the contract. The performance bond must be maintained to guarantee payment of NARBHA's obligations under the contract. The performance bond requirement was \$6,621,000 for 2004 and 2003. Subsequent to June 30, 2004, the performance bond requirement was increased to \$7.4 million.

In fiscal 2003, NARBHA funded the performance bond partially through investments held by Fidelity Institutional Money Market Treasury Fund – Class III, at cost, which approximated market, in the amount of \$4,621,000 and partially through the purchase of a \$2.0 million surety bond.

Effective July 2003, NARBHA purchased a surety bond in the amount of \$6,621,000, resulting in the release of the restricted investments as previously discussed. The surety bond expired June 30, 2004. Prior to June 30, 2004, NARBHA purchased a new surety bond in the amount of \$6,621,000 which expires June 30, 2005. Subsequent to June 30, 2004, the surety bond was increased to \$7.4 million.



**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2004 and 2003

(4) Property and equipment

Property and equipment consists of:

	<u>2004</u>	<u>2003</u>
Cost and donated value:		
Land	\$ 1,148,427	\$ 1,148,427
Building and improvements	3,876,029	3,857,968
Furniture and equipment	1,673,114	1,839,582
Vehicles	<u>149,366</u>	<u>160,593</u>
Total cost and donated value	6,846,936	7,066,570
Accumulated depreciation and amortization	<u>(1,686,470)</u>	<u>(1,633,832)</u>
Net property and equipment	<u>\$ 5,160,466</u>	<u>\$ 5,372,738</u>

Depreciation and amortization expense charged to operations was \$334,692 for 2004 and \$218,541 for 2003.

NARBHA has entered into various capital leases for certain office equipment. The leases expire through July 2008. Cost and accumulated amortization of such assets totaled \$72,219 and \$30,893, and \$78,158 and \$40,222, respectively, as of June 30, 2004 and 2003.

(5) Capital lease obligations

The obligations under capital leases reflect the present value of future rental payments, discounted at the interest rates implicit in the leases (6.9%-18%). The future minimum lease payments required under the capital leases and annual maturities at June 30, 2004 are as follows:

Future minimum lease payments under the capital leases are as follows:

Years Ending <u>June 30,</u>	
2005	\$ 16,839
2006	16,839
2007	12,830
2008	4,593
2009	<u>319</u>
Total future minimum lease payments	51,420
Less amount representing interest	<u>(6,391)</u>
Present value of future minimum lease payments	45,029
Less current portion	<u>(13,513)</u>
Long-term portion	<u>\$ 31,516</u>



**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2004 and 2003

(6) Long-term debt

Long-term debt consists of a mortgage note payable to a bank that is secured by the land and building on Yale Street in Flagstaff, Arizona, and requires monthly installments of approximately \$15,000 including interest at 3.98% through May 2005. Effective June 1, 2005, the outstanding principal of the loan is to be fully amortized and repaid in 83 principal payments of \$10,843 plus all accrued unpaid interest beginning June 30, 2005 and continuing each month thereafter. A final payment of all unpaid principal and accrued unpaid interest will be due and payable on May 30, 2013. The effective interest rate as of June 1, 2005 will be at least 4.75% per annum.

The loan agreement contains various covenants pertaining to the maintenance of certain ratios and delivery of reports by a certain date. Management believes NARBHA was in compliance with these covenants at June 30, 2004.

The aggregate maturities of long-term debt outstanding at June 30, 2004 are as follows:

Years Ending June 30,	
2005	\$ 89,943
2006	130,121
2007	130,121
2008	130,121
2009	130,121
Subsequent to 2009	<u>1,803,930</u>
Annual maturities of long-term debt	<u>\$ 2,414,357</u>

NARBHA has entered into an interest rate swap agreement (the "Agreement") to reduce the impact of changes in interest rates on its floating rate long-term debt. At June 30, 2004, NARBHA had an outstanding interest rate swap agreement with a commercial bank, having a notional principal amount of approximately \$2.4 million. The notional amount decreases as principal payments are made on the debt. This Agreement effectively changes NARBHA's interest rate exposure on its floating rate mortgage note payable to a fixed 3.98%. The Agreement matures May 31, 2005. The fair value of the interest rate swap at June 30, 2004 is \$3,319 and the change in fair value on the interest rate swap for the year ended June 30, 2004 was an increase of \$3,319.

(7) Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis as follows. Accordingly, certain costs have been allocated between program and supporting services benefited. Management and general includes expenses that are not directly identifiable with any specific program but provide for the overall support and direction of NARBHA.

	<u>2004</u>	<u>2003</u>
Program expenses	\$ 70,551,014	\$ 65,784,391
Management and general expenses	<u>5,637,986</u>	<u>5,257,068</u>
Total functional expenses	<u>\$ 76,189,000</u>	<u>\$ 71,041,459</u>

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.****NOTES TO FINANCIAL STATEMENTS**

Years Ended June 30, 2004 and 2003

(8) Insurance

Through March 2004, NARBHA maintained professional, general, property and other liability coverage on a claims made basis through commercial insurance carriers. Effective April 2004, NARBHA, along with seven of its subcontracted providers, entered into a contractual agreement to form the Behavioral Health Insurance Pool (BHIP). BHIP is a nonprofit organization formed under Arizona Revised Statute (ARS) 41.621. ARS 41.621 is an Arizona statute which allows contractors and subcontractors with the state of Arizona to form insurance pools. BHIP functions as a self-insurance administrator which, through its risk-sharing provisions, provides NARBHA, and seven of its subcontracted providers, with insurance coverage for professional, general, property and other liability exposure. NARBHA's per-claim coverage is \$2 million, with an aggregate maximum annual coverage of \$10 million, and a self-insured retention of \$250,000 per claim which is funded through the risk-sharing provisions of BHIP. In addition, NARBHA has an umbrella policy, which extends coverage an additional \$10 million.

BHIP provides NARBHA with claims made insurance coverage using a combination of self-insured retentions and excess commercial insurance coverage. BHIP has engaged the services of a professional actuarial consultant for the determination of premiums to be assessed to participants under the plan of coverage. As a self-insurance administrator, BHIP enables risk sharing among participating contractors. NARBHA is required to pay assessed premiums and is subject to a per claim self-insured retention, which is funded through the risk-sharing provisions of BHIP. Insurance expense under the BHIP program, which was effective for the year beginning April 1, 2004, amounted to approximately \$43,000 for the year ended June 30, 2004. BHIP may retroactively assess participants an amount not to exceed the last annual premium per coverage year based on adverse participant-specific claims experience as defined in the policy. Based on NARBHA's historical claims experience and exposure to date with BHIP, no reserves have been established at June 30, 2004 for retroactive premium assessments. Tail coverage is included in the current year BHIP premiums.

Losses on medical malpractice claims are estimated based on claims in excess of per-claim coverage or aggregate coverage during the claim year. These estimates reflect NARBHA's best estimate of the ultimate costs of reported and unreported claims, using NARBHA's past experience, industry experience and identified asserted claims and reported incidents. There were no estimated or incurred losses on medical malpractice claims for the year ended June 30, 2004.

(9) Pension plan

NARBHA has a defined contribution pension and retirement plan. Pension costs are current service costs which are accrued and funded on a current basis. NARBHA contributes at a rate of 5% of the annual salary of employees after two years of service. The contribution rate increases 1% for each two years of continued employment, commencing after two years of participation, up to a maximum contribution of 10%. In addition, employees may contribute up to 20% of their salaries to the plan. Pension expense was \$183,695 and \$175,468 for years ended June 30, 2004 and 2003, respectively.

(10) Postretirement benefits

In December 2002, the NARBHA Board authorized the establishment of a Deferred Compensation plan for NARBHA's senior management, which is based on years of service and a projected retirement date. Benefits are payable upon termination of employment. The Deferred Compensation plan had obligations of \$300,000 at June 30, 2004 and \$200,000 at June 30, 2003 if certain participant conditions are met. The plan was fully funded at June 30, 2004.



**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2004 and 2003

(11) Commitments and contingencies

Contract Compliance - In accordance with its contract with ADHS, NARBHA is required to maintain certain minimum financial reporting and viability measures.

Pursuant to its contract with ADHS, NARBHA must maintain unrestricted, minimum capitalization of at least 90% of monthly receipts.

NARBHA's contract with ADHS contains various quarterly financial performance requirements, the most restrictive of which requires NARBHA to maintain minimum liquidity and equity ratios and limits the amounts of administrative expenses that may be funded with ADHS contract funds. Management believes NARBHA was in compliance with these requirements at June 30, 2004 and 2003.

Should NARBHA be in default of any material obligations under its contract with ADHS, ADHS may, at its discretion, in addition to other remedies, either adjust the amount of future payment or withhold future payment until satisfactory resolution of the default or exception. In addition, although it has expressed no intention to do so, ADHS has the right to terminate the contract in whole or in part without cause by giving NARBHA 90 days written notice. Further, if monies are not appropriated by the state or are not otherwise available, the contract with ADHS may be cancelled upon written notice until such monies are so appropriated or available.

Litigation - Periodically, NARBHA is involved in litigation and claims arising in the normal course of operations. In the opinion of management, based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial.

Healthcare regulation - The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. At June 30, 2004 and 2003, NARBHA was not a Medicare certified facility and did not derive any of its revenue from the provision of services to Medicare beneficiaries. Management believes that NARBHA is in compliance with fraud and abuse laws and regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") broadened the scope of certain fraud and abuse laws by adding several criminal provisions for health care fraud offenses that apply to all health benefit programs. HIPAA also added a prohibition against incentives intended to influence decisions by Medicare beneficiaries as to the provider from which they will receive services. In addition, HIPAA created new enforcement mechanisms to combat fraud and abuse, including the Medicare Integrity Program, and an incentive program under which individuals can receive up to \$1,000 for providing information on Medicare fraud and abuse that leads to the recovery of at least \$100 of Medicare funds. Federal enforcement officials now have the ability to exclude from Medicare and Medicaid any investors, officers and managing employees associated with business entities that have committed health care fraud, even if the officer or managing employee had no knowledge of the fraud. HIPAA was followed by the Balanced Budget Act of 1997 ("BBA-97"), which created additional fraud and abuse provisions, including civil penalties for contracting.



**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2004 and 2003

(11) Commitments and contingencies (continued)

The Administrative Simplification Provisions of HIPAA require the use of uniform electronic data transmission standards for certain health care claims and payment transactions submitted or received electronically. These provisions are intended to encourage electronic commerce in the healthcare industry. The U.S. Department of Health and Human Services ("HHS") has issued regulations implementing the HIPAA Administrative Simplification Provisions and compliance with these regulations became mandatory for NARBHA on October 16, 2003. HHS has agreed to accept noncompliant Medicare claims, for an unspecified time, to assist providers that are not yet able to process compliant transactions. However, this extension may be terminated by HHS and is not binding on private payers. NARBHA believes that the cost of compliance with these regulations has not had and is not expected to have a material adverse effect on its business, financial position or results of operations.

HIPAA also requires the HHS to adopt standards to protect the privacy and security of individually identifiable health-related information. HHS released regulations containing privacy standards in December 2000 and published revisions to the regulations in August 2002. Compliance with these regulations became mandatory on April 14, 2003. The privacy regulations regulate the use and disclosure of individually identifiable health-related information, whether communicated electronically, on paper or orally. The regulations also provide patients with significant new rights related to understanding and controlling how their health information is used or disclosed. HHS released security regulations on February 20, 2003. The security regulations will become mandatory on April 20, 2005 and will require health care providers to implement administrative, physical and technical practices to protect the security of individually identifiable health information that is maintained or transmitted electronically. The privacy regulations and security regulations, when fully implemented, could impose significant costs on NARBHA in order to comply with these standards. NARBHA believes that the cost of compliance with these regulations is not expected to have a material adverse effect on its business, financial position or results of operations.

Violations of HIPAA could result in civil penalties of up to \$25,000 per type of violation in each calendar year and criminal penalties of up to \$250,000 per violation. In addition, there are numerous legislative and regulatory initiatives at the Federal and state levels addressing patient privacy concerns. Facilities will continue to remain subject to any Federal or state privacy-related laws that are more restrictive than the privacy regulations issued under HIPAA. These statutes vary and could impose additional penalties.

(12) Concentration of credit risk

A substantial portion of contracts receivable is due from ADHS and is not collateralized. Management believes any loss due to a concentration of credit risk will be minimal. The estimated value of ADHS receivables at June 30, 2004 and 2003 was approximately \$3,868,000 and \$1,078,000, respectively.

NARBHA currently holds a contract with ADHS to provide services through June 30, 2005 with a provision for a one-year extension. Management expects the contract to be renewed through the respective renewal process.



SUPPLEMENTAL INFORMATION



NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 1 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES
Year Ended June 30, 2004

	TXIX CHILD	TXIX DD CHILD	NTXIX/XXI CHILD	TXIX CHILD	TXIX DD CHILD	TXIX SMI	TXIX DD SMI	NTXIX/XXI SMI
REVENUE								
Revenue Under ADHS Contract	\$ 15,966,851	\$ 725,247	\$ 1,738,604	\$ 809,256	\$ 3,916	\$ 28,232,487	\$ 771,349	\$ 9,315,666
Specialty & Other Grants*	-	-	-	-	-	-	-	-
Client Fees (Co-pays)	-	-	-	-	-	-	-	-
Third Part Recoveries	-	-	-	-	-	-	-	-
Medicare	-	-	-	-	-	-	-	-
Other Insurance	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other Funding Sources - Non ADHS	-	-	490	-	-	-	-	-
Unrelated Business Activities*	-	-	-	-	-	-	-	-
TOTAL REVENUE	\$ 15,966,851	\$ 725,247	\$ 1,739,094	\$ 809,256	\$ 3,916	\$ 28,232,487	\$ 771,349	\$ 9,315,666
EXPENSES								
Service Expenses:								
Treatment Services								
Counseling:								
Counseling, Individual	\$ 1,198,993	\$ 25,231	\$ 146,861	\$ 79,227	\$ -	\$ 671,754	\$ 12,137	\$ 146,360
Counseling, Family	898,100	36,135	99,738	72,632	-	34,354	1,214	5,818
Counseling, Group	245,703	4,861	58,105	6,979	-	441,273	6,490	123,555
Consultation, Assessment & Specialized Testing	581,147	17,917	64,957	38,498	-	548,189	11,298	175,401
Other Professional	18,662	2,249	3,987	1,173	-	19,467	-	3,996
Total Treatment Services	2,942,605	88,393	373,648	198,509	-	1,715,037	31,140	455,132
Rehabilitation Services:								
Living Skills Training	768,269	35,228	65,874	32,521	-	1,719,279	20,222	222,340
Cognitive Rehabilitation	-	-	-	-	-	-	-	-
Health Promotion	3,504	65	1,008	89	-	134,324	1,643	38,825
Supported Employment Services	195	-	293	-	-	305,929	12,026	55,188
Total Rehabilitation Services	771,968	35,293	67,175	32,610	-	2,159,532	33,891	316,353
Medical Services:								
Medication Services	-	-	-	-	-	41,992	886	5,718
Medical Management	650,065	48,462	52,340	52,189	-	1,192,412	34,566	335,354
Laboratory, Radiology & Medical Imaging	23,108	225	890	749	-	47,354	142	34,807
Electro-Convulsive Therapy	-	-	-	-	-	9,315	-	-
Total Medical Services	673,173	48,707	53,230	52,938	-	1,291,073	35,593	375,879
Support Services:								
Case Management	3,402,728	203,378	368,598	199,171	-	5,660,537	109,421	1,317,872
Personal Assistance	34,479	1,100	915	1,215	-	267,065	2,910	34,242
Family Support	244,009	18,332	23,880	10,949	-	22,480	513	3,661
Peer Support	1,982	-	-	42	-	382	-	48
Therapeutic Foster Care Services	612,859	-	46,384	12,148	-	-	-	-
Respite Care	516,989	-	21,859	21,932	-	-	-	-
Housing Support	-	-	-	-	-	201,123	-	91,346
Interpreter Services	1,887	-	1,048	31	-	129	-	-
Flex Fund Services	-	33	7,005	96	-	-	343	9,641
Transportation	345,049	10,957	18,485	20,019	-	692,316	7,000	104,486
Block Purchase NTXIX Consumer Drop In Center	-	-	-	-	-	79,719	-	-
Total Support Services	5,159,982	233,800	488,174	265,603	-	6,923,751	120,167	1,561,296
Crisis Intervention Services:								
Crisis Intervention - Mobile	37,097	1,350	13,124	2,619	-	258,673	12,171	63,700
Crisis Services	-	16	-	-	-	2,609	-	1,423
Crisis Phones	51,060	-	16,412	6,850	-	60,299	-	20,447
Total Crisis Intervention Services	88,157	1,366	29,536	9,469	-	321,581	12,171	85,569

Amounts expressed in whole dollars, differences are due to rounding

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NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 1 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES
Year Ended June 30, 2004

	TXIX CHILD	TXIX DD CHILD	NTXX/XXI CHILD	TXXI CHILD	HB2003 CHILD	TXIX SMI	TXIX DD SMI	NTXX/XXI SMI
Service Expenses (continued):								
Inpatient Services								
Hospital:								
Psychiatric (Provider Types 02 & 71)	716,428	40,936	38,899	54,737	-	967,282	41,015	566,147
Detoxification (Provider Types 02 & 71)	-	-	-	-	-	-	-	-
Subacute Facility	-	-	-	-	-	-	-	-
Psychiatric (Provider Types B5 & B6)	-	89,422	-	-	-	2,943,602	113,858	2,220,516
Detoxification (Provider Types B5 & B6)	-	-	-	-	-	-	-	-
Residential Treatment Center (RTC)	-	-	-	-	-	-	-	-
Psychiatric - Secure & Non-Secure Provider	-	-	-	-	-	-	-	-
Types 78.B1.B2.B3	1,582,154	37,570	118,399	29,776	-	-	-	-
Detoxification - Secure & Non-Secure (Provider Types 78.B1.B2.B3)	-	-	-	-	-	-	-	-
Inpatient Services, Professional	31,476	1,944	2,285	954	-	462,217	17,751	147,002
Total Inpatient Services	2,330,058	149,872	159,393	85,467	-	4,373,101	172,624	2,933,665
Residential Services:								
Level II Behavioral Health Residential Facilities	1,493,723	77,239	109,737	35,432	-	1,560,059	-	206,348
Level III Behavioral Health Residential Facilities	-	-	-	-	-	110,523	-	72,365
Room and Board	14,769	3,510	18,710	39	-	105,646	-	72,370
Total Residential Services	1,508,492	80,749	128,447	35,471	-	1,776,227	-	351,084
Behavioral Health Day Program:								
Supervised Day Program	276	-	14,713	-	-	421,798	226	156,698
Therapeutic Day Program	40,226	-	1,667	378	-	196,639	3,526	27,457
Medical Day Program	-	-	-	-	-	-	-	1,961
Total Behavioral Health Day Program	40,502	-	16,380	378	-	618,636	3,752	186,116
Prevention Services:								
Prevention	-	-	-	-	-	-	-	-
HIV	-	-	-	-	-	-	-	-
Total Prevention Services	-	-	-	-	-	-	-	-
Medication	1,620,124	212,873	129,315	111,146	-	6,460,723	304,140	2,205,012
Other ADHS Service Expenses Not Rptd Above*	41,167	2,072	188,115	2,572	-	61,754	2,111	62,260
ADHS/DOC COOL	-	-	-	-	-	-	-	-
Subtotal ADHS Service Expenses	15,176,228	853,125	1,633,413	794,163	-	25,701,415	715,609	8,532,366
Service Expenses from Non ADHS Sources*	-	-	-	-	-	-	-	-
Total Service Expense	15,176,228	853,125	1,633,413	794,163	-	25,701,415	715,609	8,532,366
Administrative Expenses:								
Salaries	686,367	36,351	79,061	45,495	7,768	1,006,803	36,419	347,013
Employee Benefits	173,639	8,851	19,164	10,978	2,041	254,648	8,873	87,522
Professional & Outside Services	28,209	1,304	(732)	2,052	99	37,124	1,903	13,716
Travel	21,042	933	2,491	1,421	71	30,512	871	13,300
Occupancy	56,735	2,755	4,579	2,834	186	98,358	2,912	32,709
Depreciation	58,564	2,518	5,344	2,940	224	102,178	2,677	33,971
All Other Operating*	135,562	6,189	12,433	7,295	455	225,642	6,338	75,146
Subtotal ADHS Administrative Expenses	1,170,118	58,901	122,340	73,114	10,844	1,755,265	59,993	603,377
Non ADHS Administrative Expenses*	-	-	-	-	-	-	-	-
Unrelated Admin. Expense*	1,170,118	58,901	122,340	73,114	10,844	1,755,265	59,993	603,377
Subtotal Administrative Expense	16,346,346	912,026	1,755,753	867,277	10,844	27,456,680	775,602	9,135,743
Unrelated Business Expenses*	-	-	-	-	-	-	-	-
TOTAL EXPENSES	\$ (379,495)	\$ (186,779)	\$ (16,659)	\$ (58,021)	\$ (6,928)	\$ 775,807	\$ (4,253)	\$ 179,923
INC/(DEC) IN NET ASSETS/EQUITY								

Amounts expressed in whole dollars, differences are due to rounding

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NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 1 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES
Year Ended June 30, 2004

	HIFA II SMI	TXXI ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUB ABUSE	PREVENTION INTERVENTION
REVENUE								
Revenue Under ADHS Contract	\$ 299,205	\$ 32,366	\$ 565,844	\$ 11,056,830	\$ 120,723	\$ 296,908	\$ 4,029,977	\$ 921,577
Specialty & Other Grants*	-	-	-	-	-	-	-	-
Client Fees (Co-pays)	-	-	-	-	-	-	-	-
Third Part Recoveries	-	-	-	-	-	-	-	-
Medicare	-	-	-	-	-	-	-	-
Other Insurance	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other Funding Sources - Non ADHS	-	-	-	-	-	-	-	-
Unrelated Business Activities*	-	-	-	-	-	-	-	-
TOTAL REVENUE	\$ 299,205	\$ 32,366	\$ 565,844	\$ 11,056,830	\$ 120,723	\$ 296,908	\$ 4,029,977	\$ 921,577
EXPENSES								
Service Expenses:								
Treatment Services								
Counseling:								
Counseling, Individual	\$ 16,644	\$ 1,638	\$ 1,242	\$ 904,156	\$ 15,086	\$ 31,067	\$ 221,711	\$ -
Counseling, Family	-	575	-	44,018	1,988	1,885	6,435	-
Counseling, Group	4,504	615	1,729	961,393	10,412	4,948	921,689	-
Counseling, Assessment & Specialized Testing	11,616	2,957	1,610	905,968	13,435	28,442	320,660	-
Other Professional	-	-	-	5,037	-	-	5,920	-
Total Treatment Services	32,764	5,784	4,581	2,820,571	40,891	66,343	1,476,616	-
Rehabilitation Services:								
Living Skills Training	417	567	10,938	105,702	1,489	1,554	16,912	-
Cognitive Rehabilitation	-	-	-	-	-	-	-	-
Health Promotion	99	202	2,413	52,327	261	145	97,247	-
Supported Employment Services	-	807	850	6,248	97	248	811	-
Total Rehabilitation Services	515	1,576	14,200	164,277	1,847	1,947	114,970	-
Medical Services:								
Medication Services	-	-	-	180,101	-	-	7,241	-
Medical Management	37,351	2,168	761	653,059	9,107	16,633	48,863	-
Laboratory, Radiology & Medical Imaging	-	45	-	36,535	-	1,027	1,014	-
Electro-Convulsive Therapy	-	-	-	-	-	-	-	-
Total Medical Services	37,351	2,213	761	870,965	9,107	17,861	57,118	-
Support Services:								
Case Management	61,594	10,549	21,832	2,100,282	20,427	75,992	391,025	-
Personal Assistance	-	-	2,142	135,444	-	153	217,283	-
Family Support	-	-	100	11,988	-	158	1,332	-
Peer Support	-	-	-	1,122	-	-	425	-
Therapeutic Foster Care Services	-	-	-	-	-	-	-	-
Respite Care	-	-	-	-	-	-	-	-
Housing Support	-	-	226	1,342	-	34	274	-
Interpreter Services	-	-	-	370	-	291	11,406	-
Flex Fund Services	-	-	-	-	-	1,127	5,315	-
Transportation	-	491	3,426	296,964	1,205	5,803	22,792	-
Block Purchase NTXX Consumer Drop In Center	-	-	120,281	-	-	-	-	-
Total Support Services	61,594	11,040	148,007	2,547,511	21,632	83,557	649,853	-
Crisis Intervention Services:								
Crisis Intervention - Mobile	-	326	93	100,702	465	16,765	27,392	-
Crisis Services	-	-	195	29	-	-	-	-
Crisis Phones	-	-	-	41,084	-	17,871	10,590	-
Total Crisis Intervention Services	-	326	288	141,815	465	34,636	37,982	-

Amounts expressed in whole dollars, differences are due to rounding



NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 1 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES
Year Ended June 30, 2004

	HIFA II SMI	TXXI ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUB ABUSE	PREVENTION INTERVENTION
Service Expenses (continued):								
Inpatient Services								
Hospital:								
Psychiatric (Provider Types 02 & 71)	-	-	-	336,615	-	-	3,490	-
Detoxification (Provider Types 02 & 71)	-	-	-	-	-	-	-	-
Subacute Facility	-	-	-	-	-	-	-	-
Psychiatric (Provider Types B5 & B6)	-	-	-	780,974	8,741	3,231	406,908	-
Detoxification (Provider Types B5 & B6)	-	-	-	-	-	-	-	-
Residential Treatment Center (RTC)	-	-	-	-	-	-	-	-
Psychiatric - Secure & Non-Secure Provider	-	-	-	-	-	-	-	-
Types 78.B1,B2,B3)	-	-	-	-	-	-	-	-
Detoxification - Secure & Non-Secure (Provider	-	-	-	-	-	-	-	-
Types 78.B1,B2,B3)	-	-	-	-	-	-	-	-
Inpatient Services, Professional	-	552	-	56,471	717	14,938	21,070	-
Total Inpatient Services	-	552	-	1,174,060	9,458	18,169	431,468	-
Residential Services:								
Level II Behavioral Health Residential Facilities	-	-	-	-	-	-	-	-
Level III Behavioral Health Residential Facilities	-	-	-	565,384	4,733	2,042	523,735	-
Room and Board	-	-	-	-	-	-	-	-
Total Residential Services	-	-	-	51,111	1,243	1,555	72,138	-
Behavioral Health Day Program:								
Supervised Day Program	-	-	-	616,495	5,976	3,697	595,873	-
Therapeutic Day Program	-	246	-	54,938	-	5,616	9,660	-
Medical Day Program	-	-	-	65,128	3,412	-	35,041	-
Total Behavioral Health Day Program	-	246	72	-	-	-	-	-
Prevention Services:								
HIV	-	-	-	120,066	3,412	5,616	44,701	-
Total Prevention Services	-	-	-	-	-	-	-	850,551
Medication	-	-	-	-	-	-	62,943	-
Other ADHS Service Expenses Not Rpt'd Above*	144,540	8,201	-	1,971,656	18,882	55,585	50,930	850,551
ADHS/DOC COOL	-	107	478,063	24,051	-	855	106,474	2,860
Subtotal ADHS Service Expenses	276,764	30,045	645,972	10,451,467	111,670	288,266	3,631,928	853,411
Service Expenses from Non ADHS Sources*	-	-	-	-	-	-	-	-
Total Service Expense	276,764	30,045	645,972	10,451,467	111,670	288,266	3,631,928	853,411
Administrative Expenses:								
Salaries	16,069	1,896	16,056	393,812	5,584	15,816	157,466	47,699
Employee Benefits	3,904	457	4,126	96,925	1,395	3,891	39,237	12,469
Professional & Outside Services	786	86	460	14,332	228	1,362	6,258	2,805
Travel	329	59	444	10,550	133	432	5,092	3,178
Occupancy	1,138	122	1,385	38,213	440	634	13,891	3,273
Depreciation	1,074	122	1,584	39,928	423	663	14,429	3,392
All Other Operating*	2,540	304	3,420	87,856	955	1,505	32,901	8,458
Subtotal ADHS Administrative Expenses	25,840	3,046	27,475	683,616	9,198	24,303	269,274	81,274
Non ADHS Administrative Expenses*	-	-	-	-	-	-	-	-
Unrelated Admin. Expense*	-	-	-	-	-	-	-	-
Subtotal Administrative Expense	25,840	3,046	27,475	683,616	9,198	24,303	269,274	81,274
Unrelated Business Expenses*	-	-	-	-	-	-	-	-
TOTAL EXPENSES	\$ 302,604	\$ 33,091	\$ 673,447	\$ 11,135,083	\$ 120,868	\$ 312,569	\$ 3,901,202	\$ 934,685
INC/(DEC) IN NET ASSETS/EQUITY	\$ (3,399)	\$ (725)	\$ (107,603)	\$ (78,253)	\$ (145)	\$ (15,661)	\$ 128,775	\$ (13,108)

Amounts expressed in whole dollars, differences are due to rounding

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NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 1 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES
Year Ended June 30, 2004

	PASARR	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN & MGMT/GEN	TOTAL
REVENUE						
Revenue Under ADHS Contract	\$ 4,200	\$ 158,524	\$ 383,086	\$ 75,432,626	\$ -	\$ 75,432,626
Specialty & Other Grants*	-	-	60,539	60,539	-	60,539
Client Fees (Co-pays)	-	-	-	-	-	-
Third Part Recoveries	-	-	-	-	-	-
Medicare	-	-	-	-	-	-
Other Insurance	-	-	-	-	-	-
Interest Income	-	-	-	-	61,839	61,839
Other Funding Sources - Non ADHS	-	-	950	1,440	271,083	272,533
Unrelated Business Activities*	-	-	-	-	600,000	600,000
TOTAL REVENUE	\$ 4,200	\$ 158,524	\$ 444,585	\$ 75,494,605	\$ 932,932	\$ 76,427,537

EXPENSES**Service Expenses:**

Treatment Services						
Counseling:	\$ -	\$ -	\$ -	\$ 3,472,106	\$ -	\$ 3,472,106
Counseling, Individual	-	-	-	1,204,862	-	1,204,862
Counseling, Family	-	-	-	2,792,456	-	2,792,456
Counseling, Group	-	-	-	2,722,096	-	2,722,096
Consultation, Assessment & Specialized Testing	-	-	-	60,492	-	60,492
Other Professional	-	-	-	-	-	-
Total Treatment Services	-	-	-	10,252,013	-	10,252,013
Rehabilitation Services:						
Living Skills Training	-	-	-	3,001,312	-	3,001,312
Cognitive Rehabilitation	-	-	-	-	-	-
Health Promotion	-	-	-	332,151	-	332,151
Supported Employment Services	-	-	-	382,691	-	382,691
Other Rehabilitation Services	-	-	-	-	-	-
Total Rehabilitation Services	-	-	-	3,716,154	-	3,716,154
Medical Services:						
Medication Services	-	-	-	235,937	-	235,937
Medical Management	-	-	-	3,133,549	-	3,133,549
Laboratory, Radiology & Medical Imaging	-	-	-	145,897	-	145,897
Electro-Convulsive Therapy	-	-	-	10,585	-	10,585
Total Medical Services	-	-	-	3,525,969	-	3,525,969
Support Services:						
Case Management	-	-	-	13,943,406	-	13,943,406
Personal Assistance	-	-	-	686,947	-	686,947
Family Support	-	-	-	337,402	-	337,402
Peer Support	-	-	-	4,001	-	4,001
Therapeutic Foster Care Services	-	-	-	671,391	-	671,391
Respite Care	-	-	-	560,780	-	560,780
Housing Support	-	-	-	294,344	-	294,344
Interpreter Services	-	-	-	15,162	-	15,162
Flex Fund Services	-	-	-	23,560	-	23,560
Transportation	-	-	-	1,528,994	-	1,528,994
Block Purchase NTXIX Consumer Drop In Center	-	-	-	200,000	-	200,000
Total Support Services	-	-	-	18,275,986	-	18,275,986
Crisis Intervention Services:						
Crisis Intervention - Mobile	-	-	-	534,477	-	534,477
Crisis Services	-	-	-	4,271	-	4,271
Crisis Phones	-	-	-	224,613	-	224,613
Total Crisis Intervention Services	-	-	-	763,361	-	763,361

Amounts expressed in whole dollars, differences are due to rounding



NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 1 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES
Year Ended June 30, 2004

	PASARR	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN & MGMT/GEN	TOTAL
Service Expenses (Continued):						
Inpatient Services						
Hospital:						
Psychiatric (Provider Types 02 & 71)	-	-	-	2,765,349	-	2,765,349
Detoxification (Provider Types 02 & 71)	-	-	-	-	-	-
Subacute Facility	-	-	-	-	-	-
Psychiatric (Provider Types B5 & B6)	-	-	-	6,547,252	-	6,547,252
Detoxification (Provider Types B5 & B6)	-	-	-	-	-	-
Residential Treatment Center (RTC)	-	-	-	-	-	-
Psychiatric - Secure & Non-Secure Provider	-	-	-	-	-	-
Types 78.B1.B2.B3	-	-	-	1,767,899	-	1,767,899
Detoxification - Secure & Non-Secure (Provider	-	-	-	-	-	-
Types 78.B1.B2.B3)	-	-	-	-	-	-
Inpatient Services, Professional	-	-	-	757,387	-	757,387
Total Inpatient Services	-	-	-	11,837,887	-	11,837,887
Residential Services:						
Level II Behavioral Health Residential Facilities	-	-	-	4,578,431	-	4,578,431
Level III Behavioral Health Residential Facilities	-	-	-	182,888	-	182,888
Room and Board	-	-	-	341,191	-	341,191
Total Residential Services	-	-	-	5,102,510	-	5,102,510
Behavioral Health Day Program:						
Supervised Day Program	-	-	-	663,925	-	663,925
Therapeutic Day Program	-	-	-	373,918	-	373,918
Medical Day Program	-	-	-	2,033	-	2,033
Total Behavioral Health Day Program	-	-	-	1,039,876	-	1,039,876
Prevention Services:						
HIV	-	-	-	850,551	-	850,551
Total Prevention Services	-	-	-	62,943	-	62,943
Medication	-	-	-	913,494	-	913,494
Other ADHS Service Expenses Not Rpt'd Above*	-	-	-	13,293,126	-	13,293,126
ADHS/DOC COOL	4,200	46,875	381,147	1,407,683	-	1,407,683
Subtotal ADHS Service Expenses	-	99,899	-	99,899	-	99,899
Service Expenses from Non ADHS Sources*	4,200	146,774	381,147	70,227,957	-	70,227,957
Total Service Expense	-	-	55,567	55,567	-	55,567
	4,200	146,774	436,714	70,283,524	-	70,283,524
Administrative Expenses:						
Salaries	-	34,612	1,225	2,945,512	21,260	2,966,772
Employee Benefits	-	7,828	265	738,213	5,231	743,444
Professional & Outside Services	-	829	59	110,880	391	111,271
Travel	-	893	32	91,783	285	92,068
Occupancy	-	1,549	143	261,956	108,132	370,088
Depreciation	-	1,364	156	271,551	6,172	277,723
All Other Operating*	-	4,111	322	611,472	28,216	639,688
Subtotal ADHS Administrative Expenses	-	51,186	2,202	5,031,367	169,687	5,201,054
Non ADHS Administrative Expenses*	-	-	5,958	5,958	52,002	57,960
Unrelated Admin. Expense*	-	-	-	-	646,462	646,462
Subtotal Administrative Expense	-	51,186	8,160	5,037,325	868,151	5,905,476
Unrelated Business Expenses*	-	-	-	-	-	-
TOTAL EXPENSES	\$ 4,200	\$ 197,960	\$ 444,874	\$ 75,320,849	\$ 868,151	\$ 76,189,000
INC/(DEC) IN NET ASSETS/EQUITY	\$ -	\$ (39,436)	\$ (289)	\$ 173,756	\$ 64,781	\$ 238,537

Amounts expressed in whole dollars, differences are due to rounding

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NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 2 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES - DISCLOSURES
Year Ended June 30, 2004

Category	TXIX CHILD	TXIX DD CHILD	NTXIX/XXI CHILD	TXIX CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI
DEFERRED REVENUE								
Under ADHS RBHA Contract								
Current Year:								
Prior Year:								
ADHS DOC								
NTXIX/XXI SMI								
HB2003 Child					32,107			
HB2003 Child					77,758			
HB2003 Child					109,865			
Total Deferred Revenue								
DISCLOSURE OF OTHER GRANTS								
REPORTED								
DES/RSA Grant								
Total Other Grants								
DISCLOSURE OF OTHER REVENUE								
REPORTED								
Sanction fees Assessed SAA								
Greater Atiz Telemed Consortium			480					
Fees charged for training								
Rebate for meds in excess of fees								
Miscellaneous			480					
Total Other Revenue								
UNRELATED BUSINESS ACTIVITIES								
REPORTED								
Provider Support								
Total Unrelated Business Activities								
DISCLOSURE OF ALL OTHER BEHAVIORAL HEALTH SERVICES								
SMI Homeless			183,811					\$41,032
Children Training & Coaching								
SMI HB 2003 Housing								
SMI HB 2003 Training								
Substance Abuse - Rural Detox								
PASARR								
FEMA - Crisis Counseling								
COOL Liaison								
Video-conferencing svcs allocated to programs								
Total All Other Behavioral Health Services								

Amounts expressed in whole dollars, differences are due to rounding



NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 2 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES - DISCLOSURES
Year Ended June 30, 2004

	TXIX CHILD	TXIX DD CHILD	NTXIX/XXI CHILD	TXXI CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI
DISCLOSURE OF SERVICE EXPENSES								
FROM NON ADHS SOURCES								
DESIRSA Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Expense Non-ADHS Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF ALL OTHER OPERATING								
Supplies, computer/tele-med maint, printing, Phone, recruiting, insurance, surety bond, etc	\$ 135,562	\$ 6,189	\$ 12,433	\$ 7,295	\$ 455	\$ 225,642	\$ 6,338	\$ 75,146
Total All Other Operating	\$ 135,562	\$ 6,189	\$ 12,433	\$ 7,295	\$ 455	\$ 225,642	\$ 6,338	\$ 75,146
DISCLOSURE OF NON-ADHS ADMINISTRATIVE EXPENSE								
Greater Ariz. Telemed Consortium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DESIRSA Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-ADHS Admin. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF UNRELATED ADMINISTRATIVE EXPENSES								
Provider Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Unrelated Administrative Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Amounts expressed in whole dollars, differences are due to rounding
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NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 2 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES - DISCLOSURES
Year Ended June 30, 2004

Category	HIFA II SMI	TXXI ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUB ABUSE
DEFERRED REVENUE							
Under ADHS RBHA Contract							
Current Year:							
Prior Year:							
ADHS DOC	-	-	-	-	-	-	-
DOC - COOL	-	-	-	-	-	-	-
AZ Insig Treatment Panel-Training	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-
Training	-	-	-	-	-	-	-
Total Deferred Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF OTHER GRANTS							
REPORTED							
DES/RSA Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF OTHER REVENUE							
REPORTED							
Sanction fees Assessed SAA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Greater Ariz. Telemed Consortium	-	-	-	-	-	-	-
Fees charged for training	-	-	-	-	-	-	-
Rebate for meds in excess of fees	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
UNRELATED BUSINESS ACTIVITIES							
REPORTED							
Provider Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Unrelated Business Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF ALL OTHER BEHAVIORAL HEALTH SERVICES							
SMI Homeless	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Children Training & Coaching	-	-	-	-	-	-	-
SMI HB 2003 Housing	-	-	475,444	-	-	-	-
SMI HB 2003 Training	-	-	2,619	-	-	-	-
Substance Abuse - Rural Detox	-	-	-	-	-	-	100,000
PASARR	-	-	-	-	-	-	-
FEMA - Crisis Counseling	-	-	-	-	-	-	-
COOL Liaison	-	-	-	-	-	-	-
Video-conferencing svcs allocated to programs	-	107	-	24,051	-	855	9,474
Total All Other Behavioral Health Services	\$ -	\$ 107	\$ 478,063	\$ 24,051	\$ -	\$ 855	\$ 109,474

Amounts expressed in whole dollars, differences are due to rounding
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NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 2 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES - DISCLOSURES
Year Ended June 30, 2004

	HIFA II SMI	TXIX ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUB ABUSE
DISCLOSURE OF SERVICE EXPENSES							
FROM NON ADHS SOURCES							
DES/RSA Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Expense Non-ADHS Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF ALL OTHER							
OPERATING							
Supplies, computer/tele-med maint, printing,	\$ 2,540	\$ 304	\$ 3,420	\$ 87,859	\$ 995	\$ 1,505	\$ 32,901
Phone, recruiting, insurance, surety bond, etc	\$ 2,540	\$ 304	\$ 3,420	\$ 87,859	\$ 995	\$ 1,505	\$ 32,901
Total All Other Operating	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF NON-ADHS							
ADMINISTRATIVE EXPENSE							
Greater Ariz Telemed Consortium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DES/RSA Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-ADHS Admin. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF UNRELATED							
ADMINISTRATIVE EXPENSES							
Provider Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Unrelated Administrative Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Amounts expressed in whole dollars, differences are due to rounding
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NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 2 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES - DISCLOSURES
Year Ended June 30, 2004

Category									
DEFERRED REVENUE	PREVENTION INTERVENTION	PASARR	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN/ MGMT/GEN	TOTAL		
Under ADHS RBHA Contract									
Current Year:									
Prior Year:									
ADHS DOC	-	-	127,440	-	127,440	-	127,440	-	127,440
NTX/00XXI SMI	-	-	-	937	937	-	937	-	937
HB2003 Child	-	-	-	-	32,107	-	32,107	-	32,107
HB2003 Child	-	-	-	-	77,758	-	77,758	-	77,758
Training	-	-	-	-	-	-	-	-	-
Total Deferred Revenue	\$ -	\$ -	\$ 127,440	\$ 937	\$ 238,242	\$ -	\$ 238,242	\$ -	\$ -
DISCLOSURE OF OTHER GRANTS									
REPORTED									
DES/RSR Grant	\$ -	\$ -	\$ -	\$ 60,539	\$ 60,539	\$ -	\$ 60,539	\$ -	\$ 60,539
Total Other Grants	\$ -	\$ -	\$ -	\$ 60,539	\$ 60,539	\$ -	\$ 60,539	\$ -	\$ 60,539
DISCLOSURE OF OTHER REVENUE									
REPORTED									
Sanction fees Assessed SAA	\$ -	\$ -	\$ -	\$ -	\$ -	41,434	\$ 41,434	\$ -	41,434
Greater Ariz Telamed Consortium	-	-	-	-	-	43,218	43,218	-	43,218
Fees charged for training	-	-	-	950	1,440	-	-	-	-
Rebate for meds in excess of fees	-	-	-	-	-	174,263	174,263	-	174,263
Miscellaneous	-	-	-	-	-	12,178	12,178	-	12,178
Total Other Revenue	\$ -	\$ -	\$ -	\$ 950	\$ 1,440	\$ 271,093	\$ 272,533	\$ -	\$ -
UNRELATED BUSINESS ACTIVITIES									
REPORTED									
Provider Support	\$ -	\$ -	\$ -	\$ -	\$ -	600,000	\$ 600,000	\$ -	600,000
Total Unrelated Business Activities	\$ -	\$ -	\$ -	\$ -	\$ -	600,000	\$ 600,000	\$ -	\$ -
DISCLOSURE OF ALL OTHER BEHAVIORAL HEALTH SERVICES									
SMI Homeless	\$ -	\$ -	\$ -	\$ -	\$ 41,032	\$ -	\$ 41,032	\$ -	\$ 41,032
Children Training & Coaching	-	-	-	-	183,811	-	183,811	-	183,811
SMI HB 2003 Housing	-	-	-	-	475,444	-	475,444	-	475,444
SMI HB 2003 Training	-	-	-	-	2,619	-	2,619	-	2,619
Substance Abuse - Rural Detox	-	-	-	-	100,000	-	100,000	-	100,000
PASARR	-	-	-	-	4,200	-	4,200	-	4,200
FEMA - Crisis Counseling	-	-	-	381,147	381,147	-	381,147	-	381,147
COOL Liaison	-	-	46,875	-	46,875	-	46,875	-	46,875
Video-conferencing svcs allocated to programs	2,860	-	-	-	172,555	-	172,555	-	172,555
Total All Other Behavioral Health Services	\$ 2,860	\$ 4,200	\$ 46,875	\$ 381,147	\$ 1,407,683	\$ -	\$ 1,407,683	\$ -	\$ 1,407,683

Amounts expressed in whole dollars, differences are due to rounding
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NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 2 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES - DISCLOSURES
Year Ended June 30, 2004

	PREVENTION INTERVENTION	PASARR	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN/ MGMT/GEN	TOTAL
DISCLOSURE OF SERVICE EXPENSES							
FROM NON ADHS SOURCES							
DES/RSA Grant	\$ -	\$ -	\$ -	\$ 55,567	\$ 55,567	\$ -	\$ 55,567
Total Service Expense Non-ADHS Sources	\$ -	\$ -	\$ -	\$ 55,567	\$ 55,567	\$ -	\$ 55,567
DISCLOSURE OF ALL OTHER							
OPERATING							
Supplies, computer/tele-med maint, printing, Phone, recruiting, insurance, surety bond, etc	\$ 8,458	\$ -	\$ 4,111	\$ 322	\$ 611,475	\$ 28,211	\$ 639,686
Total All Other Operating	\$ 8,458	\$ -	\$ 4,111	\$ 322	\$ 611,475	\$ 28,211	\$ 639,686
DISCLOSURE OF NON-ADHS							
ADMINISTRATIVE EXPENSE							
Greater Ariz Telemed Consortium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,002	\$ 52,002
DES/RSA Grant	-	-	-	5,958	5,958	-	5,958
Total Non-ADHS Admin. Expense	\$ -	\$ -	\$ -	\$ 5,958	\$ 5,958	\$ 52,002	\$ 57,960
DISCLOSURE OF UNRELATED							
ADMINISTRATIVE EXPENSES							
Provider Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 646,462	\$ 646,462
Total Unrelated Administrative Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 646,462	\$ 646,462

Amounts expressed in whole dollars, differences are due to rounding
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NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.

SCHEDULE 3 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2004

Federal Grantor / Pass-Through Grantor / Program	Federal CFDA Number	Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services			
AZ Department of Economic Security			
Children Title XIX	93.779	03-2031	\$ 533,170
SMI - Title XIX	93.779	03-2031	<u>566,886</u>
Total AZ Department of Economic Security			<u>1,100,056</u>
AZ Department of Emergency and Military Affairs			
Emergency Response	93.003	03-2031	<u>24,853</u>
Total AZ Department of Emergency and Military Affairs			<u>24,853</u>
AZ Department of Health Services:			
Mental Health Block Grant (CMHS):			
SMI - Non Title XIX	93.958	03-2031	53,319
Children - Non Title XIX	93.958	03-2031	<u>926,441</u>
Total Mental Health Block Grant			<u>979,760</u>
Substance Abuse Block Grant (SAPT):			
Substance Abuse/General Mental Health	93.959	03-2031	2,277,797
Prevention	93.959	03-2031	<u>304,547</u>
Total Substance Abuse Block Grant			<u>2,582,344</u>
Centers for Medicare and Medicaid Services			
(CMS) Research Demonstrations and			
Evaluations:			
SMI - Title XIX	93.779	03-2031	9,678,271
Children Title XIX	93.779	03-2031	11,058,017
Substance Abuse/General Mental			
Health - Title XIX	93.779	03-2031	3,960,272
PASARR	93.779	03-2031	4,200
Proposition 204	93.779	03-2031	<u>13,659,649</u>
Total CMS Research Grant			<u>38,360,409</u>
Mental Health Disaster Assistance	93.982	03-2031	358,243
Homeless	93.150	03-2031	33,000
KidsCare, Title XXI	93.767	03-2031	<u>971,527</u>
Total AZ Department of Health and Human			
Services			<u>43,285,283</u>
Total U.S. Department of Health and Human			
Services			<u>44,410,192</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 44,410,192</u>

See Notes to Schedule of Expenditures of Federal Awards

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**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.****NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2004

(1) Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Northern Arizona Regional Behavioral Health Authority, Inc.** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

(2) Catalog of federal domestic assistance (CFDA) numbers

The program titles and CFDA numbers were obtained from the 2004 *Catalog of Federal Domestic Assistance*.

(3) Subrecipients

Of the federal expenditures presented in the schedule, **Northern Arizona Regional Behavioral Health Authority, Inc.** provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
Mental Health Block Grant (CMHS)	93.958	\$ 766,522
Substance Abuse Block Grant (SAPT)	93.959	2,386,690
Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations	93.779	36,605,032
Homeless	93.150	33,000
KidsCare, Title XXI	93.767	932,638
Emergency Response	93.003	24,853
Mental Health Disaster Assistance	93.982	356,294



Mayer Hoffman McCann P.C.

An Independent CPA Firm

3101 North Central Avenue, Suite 300
Phoenix, Arizona 85012
602-264-6835 ph
602-265-7631 fx
www.mhm-pc.com

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.

We have audited the financial statements of **Northern Arizona Regional Behavioral Health Authority, Inc.** at June 30, 2004 and for the year then ended, and have issued our report thereon dated September 7, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **Northern Arizona Regional Behavioral Health Authority, Inc.'s** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance we have reported to management of **Northern Arizona Regional Behavioral Health Authority, Inc.** in separate letter dated September 7, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Northern Arizona Regional Behavioral Health Authority, Inc.'s** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, specific legislative and regulatory bodies and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
September 7, 2004



Mayer Hoffman McCann P.C.

An Independent CPA Firm

3101 North Central Avenue, Suite 300
Phoenix, Arizona 85012
602-264-6835 ph
602-265-7631 fx
www.mhm-pc.com

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

To the Board of Directors of

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.

We have audited the compliance of **Northern Arizona Regional Behavioral Health Authority, Inc.** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. **Northern Arizona Regional Behavioral Health Authority, Inc.'s** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Northern Arizona Regional Behavioral Health Authority, Inc.'s** management. Our responsibility is to express an opinion on **Northern Arizona Regional Behavioral Health Authority, Inc.'s** compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Northern Arizona Regional Behavioral Health Authority, Inc.'s** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **Northern Arizona Regional Behavioral Health Authority, Inc.'s** compliance with those requirements.

In our opinion, **Northern Arizona Regional Behavioral Health Authority, Inc.** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of **Northern Arizona Regional Behavioral Health Authority, Inc.** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **Northern Arizona Regional Behavioral Health Authority, Inc.'s** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, specific legislative and regulatory bodies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
September 7, 2004

Mayer Hoffman McCann P.C.

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.****SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2004

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS**A. Type of Report Issued on the Financial Statements:**

The Independent Auditors' Report on the basic financial statements of **Northern Arizona Regional Behavioral Health Authority, Inc.** at and for the year ended June 30, 2004 was an unqualified opinion.

B. Reportable Condition in Internal Control Disclosed by the Audit of the Financial Statements:

The audit of the basic financial statements of **Northern Arizona Regional Behavioral Health Authority, Inc.** at and for the year ended June 30, 2004 disclosed no matters involving the internal control over financial reporting and its operations that are considered by management to be material weaknesses.

C. Noncompliance Material to the Financial Statements:

The audit disclosed no instances of noncompliance material to the basic financial statements of **Northern Arizona Regional Behavioral Health Authority, Inc.** at and for the year ended June 30, 2004.

D. Reportable Conditions in Internal Control over Major Programs:

The audit of compliance of **Northern Arizona Regional Behavioral Health Authority, Inc.** at and for the year ended June 30, 2004 disclosed no reportable conditions.

E. Type of Report Issued on Compliance for Major Programs:

The Independent Auditors' Report on compliance with requirements applicable to each major Federal program for the year ended June 30, 2004 was an unqualified opinion.

F. Findings Relating to Major Programs:

As indicated in Section III, the audit disclosed no findings related to major programs for the year ended June 30, 2004.

G. Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>	<u>Amount Expended</u>
93.779	Centers for Medicare and Medicaid Services (CMS) Research Demonstration and Evaluations	\$ <u>38,360,409</u>

H. Threshold for Distinguishing Between Type A and Type B Programs:

The threshold for distinguishing between Type A and Type B programs was \$1,332,306 for the year ended June 30, 2004.



**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2004

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS (CONTINUED)

I. Qualifications of Auditee as a Low-Risk Auditee:

Northern Arizona Regional Behavioral Health Authority, Inc. qualified as a low-risk auditee under applicable provisions of OMB Circular A-133 for the year ended June 30, 2004.

II. FINANCIAL STATEMENT AUDIT FINDINGS

None

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

IV. STATUS OF PRIOR AUDIT FINDINGS

None



- 1 For Geographic Service Area (GSA) 1, the initial capitalization requirements are \$2,000,000. The audited NARBHA
- 2 Financial Statements provided in response to question 6.c show NARBHA's current net assets are \$10,230,024 (as of
- 3 June 30, 2004), which exceed the initial capitalization requirements for GSA 1. NARBHA anticipates no material
- 4 decreases in the level of net assets prior to the contract date of July 1, 2005.



1 The audited NARBHA Financial Statements provided in response to question 6.c show NARBHA net assets at June 30,
2 2004 of \$10,230,024 which exceed the 90% capitalization requirements as stated in Special Terms and Conditions
3 Paragraph F.8. NARBHA anticipates no material decreases in the level of net assets prior to the contract date of July 1,
4 2005.

5
6 Given the difference between current net assets and the amount represented currently by the 90% capitalization
7 requirement, NARBHA's existing financial position allows for significant growth while remaining in compliance with
8 this requirement. In addition, NARBHA's CEO, CFO, and management staff, along with NARBHA's Board of
9 Directors are familiar with the 90% capitalization requirement and are committed to sustaining compliance through
10 maintaining a strong balance sheet.



- 1 NARBHA elects to be paid the capitation rates that DHS would otherwise develop in its customary rate development
- 2 process.



NARBHA has the staff, administrative (intake, claims, reporting) systems, monitoring and utilization management systems, and the administrative infrastructure to manage revenue and maximize value under the ADHS/DBHS contract. Each is discussed below.

Staff

NARBHA currently has positions for all staff required in the RFP Scope of work C.1, except for the Pharmacist, which will be created and filled by July 1, 2005. The three staff with the longest tenure collectively have 82 years at NARBHA, and the top fourteen, most of whom are on the Leadership Council, represent 214 years of experience at NARBHA and with the behavioral health system in Northern Arizona. All are appropriately trained, licensed, and credentialed according to the requirements and responsibilities of their positions. NARBHA has recently designated the Corporate Compliance Officer as the Grievance and Appeals Administrator; this person is currently receiving training to be a certified paralegal. All are committed to providing high quality behavioral health care in Northern Arizona and to meeting the requirements of the DHS contract.

Administrative Systems

NARBHA receives its intakes and 96% of its encounters and claims electronically from providers, making these systems highly efficient for the geographic dispersion that characterizes GSA 1. These systems received high marks on the recent ADHS/DBHS Administrative Review. The efficiency and accuracy inherent in the electronic intake and claims/encounter systems reduce administrative costs and provide NARBHA with timely data to effectively manage its system and the requirements under the ADHS/DBHS contract.

Monitoring and Utilization Management

NARBHA uses a number of monitoring techniques to manage revenue with the goal of maximizing value for state and federal funds. This monitoring effort is intended to meet the terms of the contract with ADHS/DBHS and to improve provider performance so that members receive appropriate treatment and support services. Monitoring is also important to identify opportunities for improvements in the system, as well as areas where additional training is indicated.

NARBHA's monitoring is also described in volume 4.a.8 of this proposal, and performance improvement is separately addressed in volume 4.a.2. For the current year, NARBHA's Performance Measures for Service Area Agencies (SAAs) include the following measures:

- Submission of Contract Deliverables
- Submission of Clean Claims
- Service Value
- Expenditures
- Penetration
- Enrollments within 14 Calendar Days
- Current Assessments
- CASAR (Financial Commitment of Funding) Submission
- Covered Services Mapping
- Out-of-Home Utilization
- Referral to Assessment within 7 Days
- Psychiatric Availability for Medications
- Referral to Emergency Assessment
- Routine Services within 23 Days
- UM Chart Review
- Intraclass Polypharmacy
- Substance Abuse Prevention and Treatment Monitoring Review and COOL Chart Review
- Follow-up Services (non-emergent) after Discharge from Sub-acute within 7 and 30 Days
- Length of Stay in Level 1 and Level 2 Facilities
- Interclass Polypharmacy
- Chemical Dependency Residential Census
- Inpatient IMD Utilization
- Medication Costs per Population
- Cost per Client
- Cost per Bed Day for Sub-acute Facilities



24-Hour Response
Case File Review Results
Independent Case Review
Grievance and Appeal Notice Forms
Human Resources Credentialing and Personnel Record Review: Training on Required Topics
Environment of Care and Infection Control Review

All of the above measures are intended to provide assurance to NARBHA that members have appropriate access to care and receive high quality behavioral health services. These measures provide strong value to the ADHS, AHCCCS, Center for Medicare and Medicaid Services (CMS), the federal agency responsible for Medicare and Medicaid, and the taxpayers of the State of Arizona. The discussion below provides analysis of specific measures as examples of how NARBHA's performance measures support high quality services and value under the ADHS/DBHS contract.

The NARBHA Utilization Management Analysis includes a wealth of data and analysis, which are all intended to measure the volume of services and compare each provider with other providers and against agency standards. Specifically the Utilization Management system at NARBHA addresses the amount of services by category (treatment, rehabilitation, medical support, crisis, inpatient, residential, day, and prevention) and determines, through statistical analysis, which providers are within the normative range, and which are outliers. Outliers are identified as being more than one standard deviation from the median for a specific service. NARBHA's Provider Performance Committee evaluates those providers whose data indicates that they are beyond one standard deviation. Where indicated, a Technical Assistance Plan and/or a Corrective Action Plan is developed and implemented, which is monitored by the NARBHA Provider Improvement Committee.

NARBHA also produces a monthly Analyses of Expenses report that addresses service value, penetration, and expenses by fund and by SAA and Tribal Area Agency (TAA). The purpose of this report is to enable NARBHA to understand SAAs/TAAs performance in these important areas and to work with them to enhance their overall service performance. The data sources used for this analysis are paid claims/encounters as adjudicated by NARBHA, the Monthly Program Income Statement received from SAAs, and a separate penetration analysis. An example of a preliminary conclusion made from review of this report is that in some circumstances NARBHA has had providers who produce services commensurate with their sub-capitated revenue, but whose penetration of the eligible population is sub-standard, leading to the hypothesis that the members being served might have received excessive numbers of services and that outreach needs to improve based on comparison to peer providers. This hypothesis is then tested by reviewing the results of the Utilization Management system described in the previous paragraph and appropriate actions are taken based on the results of the investigation.

NARBHA's method of funding SAAs/TAAs includes the analyses described above. Providers who produce services for members that are within the normative range are positioned more favorably to receive additional funds that become available than providers whose service delivery pattern is less desirable.

NARBHA includes these analyses in its monthly meetings with the Directors of the SAAs/TAAs, and engages in discussion about this information with the directors and their staffs so that appropriate decisions are made and actions taken based on the requirements for each funding mechanism. The NARBHA Board of Directors also receives this information on request and/or routinely as is pertinent to current topics and decisions.

It should be noted that in terms of maximizing value to ADHS/DBHS, AHCCCS, and CMS, there have been several situations in recent years where NARBHA's SAAs/TAAs have provided services and experienced cost that is significantly beyond their current revenue, indicating that monetary motivation is secondary to providing appropriate services to members, even if it results in a negative financial impact. This has been true recently, particularly in the Title XIX GMHSA and the Non-Title XIX Mental Health area.

NARBHA reviews other measures for the purpose of ensuring that members receive care that is appropriate to their individual needs. For example, by reviewing the Current Assessments measure, NARBHA can determine if specific providers are current in their understanding of the member's behavioral health needs. As with other measures described above, when this analysis indicates a need for improvement, NARBHA has tools such as discussion, corrective action plans, training, sanctions, etc., at its disposal to help it shape provider performance.



Similarly, chart reviews enable NARBHA to better understand providers' processes for writing service plans and following them. If necessary, NARBHA uses the tools described previously to correct serious concerns and to shape behavior on less serious issues.

Access to physicians is an important topic for members, whether their service plan involves medications or not. NARBHA is able to monitor such access through its performance measures. Corrective actions taken with providers might involve establishing an expectation that a provider hire additional prescribers through a registry or locum tenens agency.

NARBHA's Risk Management committee includes provider and NARBHA staff. The group reviews specific cases, and also produces initiatives oriented toward minimizing risk of inappropriate clinical outcomes.

Administrative Infrastructure

NARBHA has facilities that are appropriate to its needs, including conference rooms, training facilities, extensive videoconferencing capabilities, and superior information technology abilities. These facilities are expandable to meet future growth.

Though it is structured as a non-profit organization, NARBHA plans to use profits, approximately 2.5%, to further support high-quality behavioral health services in Northern Arizona by allocating resources to items such as development of an electronic medical record system, and providing funding for services for Non-Title XIX persons with serious mental illness beyond the ADHS/DBHS allocation. NARBHA also intends to build additional reserves for the purpose of meeting increasing ADHS/DBHS capitalization, financial viability, and performance bond requirements that occur based on growth in eligibility groups covered under the ADHS/DBHS contract.

NARBHA has existing working relationships with other funders in Northern Arizona, including the Department of Economic Security/Child Protective Services, the Rehabilitation Services Administration, and counties.

NARBHA has significant experience in the finance area, enabling it to manage the revenue it receives for the purpose of providing value to the State of Arizona, CMS, and other stakeholders. NARBHA is financially viable and has the ability to stay viable during the term of the contract.

NARBHA is familiar with the unique service delivery issues that affect Northern Arizona based on its 37 year history in GSA 1, including population density and logistical issues, providing value through access to care for those enrolled in the public behavioral health system.

Based on the years of experience working in the State Behavioral Health System, the creation of a network that knows its clients and its resources; a structure that provides the most appropriate services in the most appropriate place and time, and experienced management employees, NARBHA will maximize the value to the State, while ensuring access to care and delivering quality behavioral health services.



NARBHA offers provider training in all areas related to performance under the ADHS/DBHS requirements as necessary, including those providing only support services which may be less sophisticated or have fewer infrastructure resources. In addition, NARBHA operates help desks for encounters/claims and authorizations, holds periodic meetings with such providers, monitors through data validation, provides technical assistance as necessary, and will accept paper claims from agencies unable to develop electronic capabilities.

NARBHA can point proudly to the development of Northern Arizona Consumers Advancing Recovery and Empowerment (NAZCARE), a consumer-operated Community Service Agency formed in 2001, as an example of a provider that has successfully met their obligations to prepare and transmit encounters. This assistance spanned organizational formation, filing for tax exemption, providing accounting and purchasing assistance, design and implementation of a local-area network, program development, assistance in coding and claiming practices, and many other activities. NARBHA is willing and able to provide similar assistance if requested by other agencies.

Anytime support service providers are unable to timely prepare and transmit encounters NARBHA provides training and technical assistance so that those encounters can be properly submitted. Recent examples include prepaying for services for Daybreak and AZKAN until they could be trained to properly prepare and submit encounter data, which they have now been doing.

Based on the Data Book for Geographic Service Area 1 that was attached to the 2004 RFP for Greater Arizona, NARBHA increased completed encounter dollars for support services from FY 2002 to FY 2003. The percentage increase by fund source is as follows:

Title XIX Children (non-CMDP)	17.1%
Title XIX CMDP Children	26.9%
Title XIX SMI	23.7%
Title XIX GMHSA	108.6%
Non-Title XIX Children	22.1%
Non-Title XIX SMI	49.0%

This is evidence that NARBHA has encouraged and effectively enabled providers to report sufficient support services in a timely and accurate manner.



The method used by NARBHA for budgeting contributes to safeguarding assets and financial reporting. All internal staff are asked to contribute ideas to the budget. If the ideas submitted by staff are acceptable and affordable, they are included in the proposed budget that is recommended to the NARBHA Board. The NARBHA Board has the final determination on what is included in the budget. Particular care is given in this process to the more expensive/less routine items that are suggested. At each meeting, the Board is given a comparative Statement of Activities that compares the budget to actual revenue and expenditures. Significant variances from the budget are discussed by the Finance Committee and the general Board if necessary. Other staff within NARBHA that are responsible for specific line items are also sent copies of the Statement of Activities so they can monitor those line items against the budget.

In the area of purchasing, NARBHA requires a Purchase Request in advance of each purchase. Each Purchase Request is reviewed by the Business Manager to ensure that the form is complete, that accounting and vendor information is reasonable, and that the method of purchase is determined. Each item requested is also checked against the budget to determine if it is included and the price is consistent with the amount budgeted. If training is requested, the Purchase Request is also reviewed by the Human Resources Department to ensure that the training is consistent with the employee's evaluation and training plan. If approved by the requestor's Department Head and the Business Manager, the Purchase Request becomes a Purchase Order. Purchases over \$2,500 require the additional signature of the Chief Executive Officer or the Chief Financial Officer. Purchases over \$10,000 require at least three bids where practicable. The Purchase Order form captures information about the fund source to be used for the purchase, or denotes that the purchase is to be charged to the allocable cost pool. When the purchase involves a durable item, it is tagged so that it can be tracked later and, if applicable, the serial number(s) are denoted. When the purchase involves an item that is in excess of the threshold for capital items, it is added to the list of capital items so that it can be tracked and depreciated appropriately. During orientation all new staff receive training on purchasing, and additional help is available for staff if necessary.

When an invoice is received from a vendor there must be a Purchase Order for the invoiced item(s) or payment is delayed, or possibly not made at all, until after research can be performed. Invoices from unknown vendors are approached very cautiously, especially if there is not a Purchase Order. Checks are required to have two signatures and each check presented for signature includes the invoice, a copy of the Purchase Order, and other relevant documentation so that the signer can review those items before signature. Whenever possible the CFO is one of the check signers, and the related accounting is reviewed on a sample basis as a part of the signature process.

In the area of safeguarding assets, NARBHA performs an annual physical inventory of fixed assets, regardless of the method of acquisition or the capitalization of the items. As described above, durable items are tagged with a bar code that indicates the room/space where the item is located. The physical inventory process involves using a bar code reader to denote where items are located at the time of the inventory, and produces a report of items that are not where they should be. Each such item is researched. If items are lost or obsolete the CFO's signature is required to write them off and/or dispose of them.

Additional protections are in place through the card-lock security system at the NARBHA facility. All staff, Board, vendors, providers, and other guests wear color-coded badges. Persons that are not on the NARBHA staff are escorted through the building. Printers, fax machines, copiers etc. are located in areas that non-staff would have to search for in order to locate, which protects both the equipment and confidential member information (Protected Health Information). NARBHA conducts tours of the facility for the local police department so their officers are familiar with the property.

Internal control over revenue is less complex at NARBHA than in many organizations due to the concentration of such revenue in a few sources. The largest payer, ADHS, sends most of its funds via the Automated Clearing House, which means there are rarely checks to handle. There is almost no cash revenue to manage, but when NARBHA receives cash it is logged by the receptionist before being sent to the accounting office. When checks arrive from sources other than ADHS, they are also logged at the front desk before being sent to Accounting, so separation of duties is present.

In addition to the comparative Statement of Activities for budget variance discussed above, NARBHA also presents an unaudited Statement of Financial Position to the Board every meeting. Internally this report is due, along with the draft Statement of Activities, by the tenth day of the subsequent month. These internal financial statements are prepared by the Accounting Manager and the Accountant, both of whom are CPAs with the knowledge and professional ethics to produce accurate statements. These financial statements are reviewed by the CFO, another CPA. These financial statements are presented to the Board and in addition the CFO discusses NARBHA's compliance with the financial



1 viability requirements of the ADHS/DBHS contract with the Board monthly. This keeps the Board aware of the effect
2 that their decisions might have on the assets of NARBHA and on NARBHA's compliance with the ADHS financial
3 viability requirements.

4
5 The Independent Auditor contracted by NARBHA is the ninth largest firm in the United States, and their Arizona
6 practice audits AHCCCS and many prominent Arizona non-profit organizations. This firm is very familiar with the
7 requirements of the audit circulars of the Office of Management and Budget and the Financial Reporting Guide of the
8 ADHS. As a routine part of this audit, the firm is required to assess internal control and observe the fraud detection
9 requirements of Statement of Auditing Standards #99. No internal control issues have been cited by NARBHA's
10 auditors in the Management Letter during any recent periods.